

## **APPENDIX C**

### **Comments Received as a result of DNR's Request for Information on Economic Impacts.**

**Note:** Some of the information that DNR has determined to be potentially sensitive (such as profit and loss statements for individual businesses) has been excluded from this appendix.

April 30, 2002

Mr. Edmund J. Fogels  
ADNR, Division of Mining, Land, &  
Water Management (ADNR)  
550 West 7th Avenue, Suite 1070  
Anchorage, Alaska 99501

RE: Lost Revenue from True North Millsite Lease, True North Access Haul Road  
Right-of-way, and Fort Knox Millsite Permit.

Dear Mr. Fogels:

Fairbanks Gold Mining, Inc. (FGMI), as a portion of the overall economic analysis of the True North Project and subsequent Amendment currently being evaluated, submits this estimated lost revenue analysis. The land appraisal currently being conducted on the True North Millsite Lease area and access haul road will not be completed until May 20, 2002. With the concurrence of ADNR, FGMI is using the higher per acre appraisal (\$225.00) completed by E. Chilton Hines, Inc. in 1998 on the Fort Knox Millsite Permit area (ADL 414961 – 1,708.91 acres) to estimate market value until the current appraisal is complete.

The True North Project, aside from the positive impacts noted in the True North Mining Project Economic Impact Study (January 2001) by the McDowell Group (attachment), also has a monetary impact to both ADNR and the Mental Health Trust Land Office (TLO). The one-time fee associated with the access haul road right-of-way (ADL 416471), use charge for processed True North ore, and the annual rent associated with both the True North Project Millsite Lease (ADL 416509) and Fort Knox Mine Project Millsite Permit (ADL Nos. 414960 and 414961) provide positive revenues to both ADNR and TLO.

The one-time fee based on appraised value for the 51.58 acres within the TLO portions of the access haul road amounts to approximately \$11,600.00. Material sales (aggregate) for construction and maintenance of the road, as well as True North site construction and stemming material provided approximately \$50,030 in revenue to the TLO in 2001. An additional impact that would affect the TLO, is lost revenue from a shortened mine life at Fort Knox had the True North Project and access haul road not been permitted. The True North Project as currently permitted and with the proposed amendment adds approximately 1-year to the Fort Knox operations. This would equate to approximately \$150,000 in direct payments to the TLO and \$81,120 to ADNR.

The one-time True North access haul road payment to ADNR for 95.07 acres within portions of the right-of-way would amount to approximately \$21,391. The True North Millsite Lease annual payment is normally based on 8% of the appraised value of the 2,096 acres that covers the lease area. At 8% of \$225 (estimated appraised value) per acre the annual rent would be approximately \$37,700. This annual Millsite Lease payment for the initial permit and amendment would cover the four years of operation and at a minimum three years of site reclamation and monitoring for additional revenue to ADNR of over \$226,200 (annual rate is adjusted at the sixth year to Consumer Price Index for All Urban Consumers).

Another annual use charge for the 2,615,303 tons of True North ore processed at Fort Knox for 2001 at \$0.005 per ton equaled \$13,077. The three years remaining on the Plan of Operation for the initial permit and amendment would be for projected annual ore tons of 3.7 million at a fee based on the average annual price of gold. According to the first quarter 2002 average the rate for discussion purposes would be \$0.0075 per ton for an approximate payments to ADNR totaling \$83,250.

The annual claim rent paid to ADNR is another revenue source that would be lost had the initial permit not been granted. There is no value to either FGMI or the claims lessor to retain claim ownership, perform annual assessment, and pay the annual claim rental fee if the project were not permissible. The annual claim rent for 2001 amounted to \$24,345 for 255 State claims. Claim rental for the identified mine-life amounts to approximately \$77,000. Approximately \$2.1 million was spent on exploration that fulfilled and surpassed the annual assessment obligation of \$25,500 for the claim block. The exploration expenditures were primarily spent with local vendors and labor.

The True North underlying claim owners, who have royalty agreements with FGMI, would be severely impact had the initial permit not been granted. The completion of mining and milling the identified reserves will result in royalty payments totaling approximately \$4.19 million of which ADNR will receive approximately \$126,000 in royalty payments.

Seven of the underlying claim owners receive annual lease payments totaling approximately \$265,000. These claim lease payments are made to local Fairbanks area residents. The approval of the True North Permits is the justification for FGMI to continue the lease agreements and annual lease payments until advanced exploration is complete. At the current life-of-mine claim owner lease payments would amount to approximately \$1.1 million.

The above reference True North Mining Project Economic Impact Study (January 2001) by the McDowell Group measures the economic impact of the True North mining project and the combined positive impacts from it and the Fort Knox Mine. What is not noted in the reports is the negative effect on the local economy had the initial True North permitting not been granted and the proposed amendment not approved. The one-year shortened mine life of the Fort Knox operation as noted would result in decrease

revenues to ADNR and TLO, but also 260 direct employees and 312 support sector jobs would be eliminated. The \$35 million spent in local goods and services, the \$107 million generated annually in mine related spending, and the \$4.4 million the Fairbanks North Star Borough receives in mine-related property tax revenues would not be realized for the one-year of shortened mine life.

The True North Mine Amendments have additional positive affects when discussing the socioeconomic impacts to the greater Fairbanks area beyond those identified in the True North Mining Project Economic Impact Study January 2001.

**Incremental Mine Life Increase:** The Amendments would increase the mine life of the True North Project by 1.5 to 2 years; it would add an incremental 6 months to life of Fort Knox for a total of 1year mine life extension.

**Capital Development Costs:** FGMI would spend \$3.7 million, primarily in the local and regional markets, to develop the Amendments.

**Annual Operating Expenses:** True North Project operating expenses would increase from \$14 million to \$16 million if the Amendment is permitted; FGMI records show that the mine's operating expenditures are almost all spent in-state.

**Incremental Increase in Employees and Wages:** The 20 additional employees would yield an average income of \$48,270 annually, according to Alaska Department of Labor (ADOL) 2000 statistics, for an increase in FGMI's direct annual payroll of \$965,400. This would mean an increase from \$5.4 million to approximately \$6.4 million in direct annual payroll.

**Multiplier Effect:** The maturity of the Fairbanks trade and service sectors supports a 1.2 percent multiplier effect in the mining industry; accordingly, the net effect of the proposed Amendment would be the creation of 24 new support sector jobs.

**Goods and Services:** In addition to the direct and indirect employment payrolls, the local and regional private sector would benefit from the proposed Amendment through the purchase of supplies and services.

**Regional Economic Growth Rate:** The 2.2% regional economic growth rate predicted for 1999 and 2000 by ADOL, and presented in the *True North Project Environmental Evaluation* (September 2000), turned out to be only 1.2% for both years. This means that additional incremental economic activity is even more important to the Fairbanks economy.

**Induced Population Increase:** The 2000 Census population-to-employment ratio for the FNSB increased to 2.47, which would induce an incremental population growth of 49 residents.

**Collateral Investments:** The collateral residential, commercial and real estate investments and accompanying borough tax benefits would enhance the Greater Fairbanks economy as well.

In light of the above referenced positive impacts from approval of the proposed True North Amendments, FGMI would like to reiterate the potential lost revenues to ADNR, TLO, local claim owners, and the Fairbanks North Star Borough had the initial permit not been approved:

|   |                  |
|---|------------------|
| • ADNR – from FGMI at approximately           | \$563,000        |
| • ADNR Royalties from underlying claim owners | 126,000          |
| • TLO – from FGMI                             | 212,000          |
| • Lease payments to claim owners              | 1,100,000        |
| • Fairbanks North Star Borough                | <u>4,400,000</u> |

|                    |                    |
|--------------------|--------------------|
| Total Lost Revenue | <b>\$6,401,000</b> |
|--------------------|--------------------|

This list of lost revenue does not completely quantify lost wages from direct and indirect employment and local spending on goods and services.

If you have any questions or require additional information, please call me at (907) 490-2206.

Respectfully,

William R. Jeffress  
Manager – Environmental Services

Xc: Victor Ross, COE  
Stan Foo, ADNR  
Chris Milles, ADNR  
Jim Vohden, ADNR  
Phyllis Weber Scannell, ADF&G  
Luke Boles, ADEC  
Cameron Leonard, ADOL  
Tom Irwin, FGMI  
Rick Dye, FGMI

Mine design and operation is based on numerous studies including but not limited to exploration, geologic evaluations, reserve calculations, rock characterizations, ground water studies, hydrology, environmental baseline data, cultural resource surveys, identification of threatened and endangered species, socioeconomic studies, metallurgical testing, basic and detailed engineering to ensure equipment and processes match actual conditions, analysis of alternatives, final process determination, and definitive estimates. Within the hard boundaries that all operations must be safe, environmental permit conditions can be achieved, and the property can be reclaimed and closed; the final property design and plan of operations is based on maximizing the Net Present Value (NPV) of the property and ensuring the company makes at least a minimum acceptable rate of return.

NPV and rate of return take into account all costs including property purchase, land holding, the cost of the evaluations referred to above, obtaining permits, equipment purchases, mine development, facility construction, modification to existing facilities, access, power, training, sustaining capital, operating costs, closure costs, and interest on loans. Alternative operating conditions are then evaluated with respect to maximizing the time value of money, cash flow, and NPV. Almost all companies have limited cash to invest. Decisions are made on a competitive basis including the decision to invest in another location. In all cases, and particularly those that require large amounts of up front capital investment to get a project into operation, efficient and maximum utilization of the capital is critical for cash flow. A company cannot invest and then let the capital sit idle while holding costs, land costs, interest, and lack of cash flow continue to negatively impact the viability of the business.

The True North Plan of Operations included significant amounts of up-front cash expenditures. Project economic decisions were made on capital costs to construct, operating costs, and permit conditions. This included the cost of constructing a new road to minimize ore haulage impacts and utilization of mine and ore haulage equipment 24-hours per day.

A worst case scenario, to mine 24-hours per day and haul the ore (5,000 TPD) at 12-hours per day, prolonging the number of ore haulage days by 2-times, was evaluated. Such a situation would negatively impact the results by delaying, up to 2-times, the rate of gold recovery and actual cash flow. Cash flow spread over twice the time with increased re-handle and land holding costs, and continuing mining costs would make the True North project uneconomic.

Mining 24-hours per day and hauling all the ore (10,000 TPD) during a 12-hour operating time creates the least negative impact from reducing ore haulage hours

but is clearly unacceptable based on project economics. In this case the number of available ore haulage trucks would need to increase and therefore the capital (purchase) costs would increase by \$202,400 per truck. Tractor-trailers, similar to the currently owned and operated 60-ton capacity units, would be purchased to simplify operating, maintenance, and warehouse inventories. Haulage operating costs per ton of ore would remain the same, same equipment over the same miles with the same operators, just all on day shift. Road traffic would increase during the haulage time. Results since start up have confirmed that the best gold recovery is obtained by consistent blending of True North ore with Fort Knox ore. Re-handle costs were added to stockpile the extra ore hauled during the allowed haulage time and then re-handle the ore a second time and place it in the Fort Knox crusher during the non-haulage (night) hours. Re-handle costs for stockpile dozing, loading, and trucking from the stockpile to the crusher are \$0.35 per ton. As shown in the attached table True North project costs would increase by \$3.76-million if the haulage was reduced to 12-hours. In addition updated mine designs are based on all costs. By including the higher costs in the mine plan, the amount of tons that can be economically mined are reduced. A pit design was run with the additional \$3.76-million costs. This reduced the available True North ore tons by 177,000 and the contained ounces of gold available for recovery by 3,140. The man-days of work at True North were reduced by 1,770 and outside support work (indirect jobs) by an estimated 4,200 man-days of work. The support of higher-grade ore to Fort Knox economics is also reduced.

# ***True North Mining Project Economic Impact Study***

***Prepared for:***

***Fairbanks Gold Mining Company***

***#1 Fort Knox Road***

***P.O. Box 73726***

***Fairbanks, Alaska 99707***

***January 2001***



# ***True North Mining Project Economic Impact Study***

***Prepared for:***

***Fairbanks Gold Mining Company***

*#1 Fort Knox Road*

*P.O. Box 73726*

*Fairbanks, Alaska 99707*

***Prepared by:***



***Juneau • Anchorage***

***January 2001***

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## Executive Summary

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The purpose of this study was to measure the economic impact of the proposed True North mining project. The scope of work includes an overview of the anticipated employment, payroll, and local spending impacts of True North, as well as an overview of the economic impacts of the Fort Knox Mine. This study also includes an assessment of the linkages between the two mines and the economic consequences of those linkages for both mine owner and the community of Fairbanks. Key findings are summarized below.

- **Development of the True North gold deposit would have important immediate affects on the economics of the Fort Knox Mine.** Mixing the higher-grade True North ore with the lower-grade Fort Knox ore will, at a minimum, increase the average grade of ore processed in the Fort Knox mill, improve gold production, and increase the life of the Fort Knox operation. More important, mixing the True North ore will protect from declining gold prices the Fort Knox operation and the 570 jobs it creates in the Fairbanks economy.
- **Fort Knox is facing declining gold prices.** During exploration and development of Fort Knox gold prices averaged \$387 an ounce. In 1997, however, gold prices began to slide, averaging \$331 an ounce for the year. In 1998, the average price slipped further, to \$294 and then \$279 in 1999. In 2000, gold prices have also averaged about \$279 an ounce.
- **The Fort Knox mining operation is moving into an area of lower-grade ore.** This results in higher operating costs per ounce (meaning that it will cost more to recover each ounce of gold). Within two to three years, the mine will be back in somewhat higher-grade ore, but in the meantime, the average cost per-ounce will increase. In 2001, without True North ore, Fort Knox operating costs will increase to \$227 an ounce. In 2002, costs will rise to above \$280 an ounce, unless severe cost reduction steps are taken.
- **True North can dramatically improve the future prospects of the Fort Knox Mine.** Blending True North ore with Fort Knox ore will result in an average cash cost of \$196 per ounce of gold in 2001. Over the next three years of Fort Knox operations, this will improve annual cash flow by approximately \$13 million thus moving Fort Knox from a slightly cash negative to moderately cash positive position. This is revenue that will be used to conduct additional exploration, to upgrade or replace aging equipment, and on other measures to insure the continued viability of the Fort Knox Mine.
- **With True North, nearly 800 jobs in Fairbanks are protected.** This includes 100 True North mining and trucking jobs, 260 jobs at Fort Knox, and another 430 jobs in the local support sector. These 800 jobs account for about \$30 million in annual payroll. Further, Fort Knox and True North combined will account for \$42 million in spending each year in Fairbanks on goods and services. Also, the Fairbanks North Star Borough receives \$4.4 million in mine-related property tax revenues. All told, the spending impact of Fort Knox and True North on the Fairbanks economy will be approximately \$132 million annually, including direct

and indirect payroll and spending. Timely development of True North will ensure that Fairbanks will continue to enjoy these very significant economic benefits.

## **Summary of True North's Potential Economic Impacts**

Development of True North will:

- Create approximately 100 new direct jobs over the project's expected three year life
- Generate \$5.4 million in direct annual payroll
- Ultimately produce total direct and indirect impacts that could include 220 jobs and \$7.1 million in annual payroll.
- Generate \$6.5 million in direct local purchases of goods and services.

In addition, True North could prolong the life of the Fort Knox Mine. The total \$107 million economic impact of Fort Knox includes:

- 260 jobs and \$15 million in annual payroll
- 310 indirect jobs and \$7 million in indirect payroll
- \$35 million in direct local purchases of goods and services, and millions more in indirect and induced purchases
- \$4.4 million in annual tax revenues to the Fairbanks North Star Borough, including direct payments from the mine and payments made by the mine-related population
- A net increase in state school revenues of \$350,000
- Reduced electrical rates for GVEA customers.

Combined, Fort Knox and True North will have significant economic impacts on Fairbanks, including:

- Nearly 800 jobs in Fairbanks, accounting for approximately \$30 million in annual payroll
- Annual expenditures (non-payroll) with Fairbanks businesses totaling approximately \$42 million
- A total economic impact of \$132 million, including direct and indirect payroll and spending.

## ***Chapter I: Economics of the Fort Knox Mine***

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Since 1902, the Fairbanks mining district has produced in excess of 9 million ounces of gold, very little of which was lode gold. In 1984, lode gold mineralization was discovered at what would become the Fort Knox Mine. Between 1987 and 1991, exploration was carried out on the property primarily by Fairbanks Gold Ltd. In January 1992, Amax Gold Inc. acquired ownership of Fairbanks Gold Ltd. Construction of the Fort Knox Mine began in the first quarter of 1995 and was completed in the fourth quarter of 1996 at a capital cost of \$373 million.<sup>1</sup>

The Fort Knox Mine is a conventional open pit gold mine located approximately 30 miles northeast of Fairbanks. The mine poured its first gold on December 20, 1996 and its millionth ounce of gold on September 27, 1999. The daily mill throughput exceeds 40,000 tons per day. Ore reserves at the end of 1999 in the proven, probable and possible categories total 3.1 million ounces. Cash production (mining and milling) costs<sup>2</sup> for 1999 averaged \$194 per ounce as compared to \$189 per ounce in 1998.<sup>3</sup>

On June 1, 1998, Kinross Gold USA, Inc. acquired the Fort Knox Mine through a merger with Amax Gold. Fairbanks Gold Mining, Inc. is a wholly owned subsidiary of Kinross Gold USA, Inc., a Nevada corporation that in turn is a wholly owned subsidiary of Kinross Gold Corporation, a precious metals company headquartered in Toronto, Canada. In 1999, Kinross properties produced in excess of 1 million ounces of gold and 300,000 ounces of silver. The Fort Knox Mine contributed 351,000 ounces of gold in 1999.

Fort Knox employs an average of 260 workers in Fairbanks, making it the fifth largest private employer in the borough. Fort Knox Mine employees are among the highest paid workers in Fairbanks. Mine payroll totals \$13.3 million annually, for an average of \$50,916 per employee.

Fort Knox directly injects \$35 million in local spending on goods and services and \$13 million in payroll into the Fairbanks economy annually. This spending creates jobs and earnings throughout Fairbanks' support sector. Based on an employment multiplier of 2.2 and an earnings multiplier of 1.5, the Fort Knox Mine's total employment impact on the Fairbanks economy is estimated at about 570 year-round jobs and \$20 million in annual payroll. All told, mine spending has a \$107 million impact on the Fairbanks economy, including direct and indirect payroll and local

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<sup>1</sup> Capital Costs are expenditures made to acquire, develop, improve or replace an asset(s), the benefits of which will be derived over several years. Typically, capital costs are depreciated, depleted, or amortized over the life of the asset.

<sup>2</sup> Cash Production Costs are the expenses incurred for day-to-day mining and milling operations. These costs include labor, materials, energy, and supplies that are consumed in the gold extraction process. Cash production costs also include surface lease cost, claim rental cost, regulatory cost, property taxes, state taxes, county (borough) taxes, and royalties for an operating mine. Off-site Kinross corporate level expenses are not included in cash operating costs. Capital costs, depreciation, depletion, amortization on debt repayment are not included in cash production costs. This definition is consistent with the Gold Institute's production cost standard.

<sup>3</sup> Source: Kinross Gold Corporation 1999 Annual Report.

spending on goods and services. Over 1,200 Fairbanks residents are either directly or indirectly dependent on the mine.



The Fort Knox Mine annually pays \$3.9 million in property taxes to the borough, representing approximately 8% of the total FNSB property tax revenues. In addition, the mine-related population pays approximately \$500,000 in property taxes to the borough, for a total property tax revenue impact of \$4.4 million. The Borough also enjoys a net increase in state school funding on about \$350,000 as a result of additional enrollment from the mine-related population.

The Fort Knox Mine is the largest commercial customer of Golden Valley Electric Association (GVEA). It purchases approximately 25% of the total kilowatt-hours sold each year by GVEA, at a total cost of \$14 million. In 1998, as a result of power sales to Fort Knox, GVEA ratepayers realized rate savings totaling \$3.75 million. Without Fort Knox, residential electrical rates would increase by 7 percent and rates for large commercial users such as Williams Alaska Petroleum and Golden Heart Utilities would increase by 10 percent..

## **Current Status of the Fort Knox Mine**

The gold industry overall is facing declining gold prices. During exploration and development of Fort Knox, gold prices averaged \$387 an ounce. In 1997, however, gold prices began to slide, averaging \$331 an ounce for the year. In 1998, prices slipped further, to \$294 and then again to \$279 in 1999. In 2000, gold prices have also averaged about \$279 an ounce.

At the same time, the Fort Knox mine operation is moving into an area of lower-grade ore. The average grade since start up of operations has been 0.0292 ounces per ton.<sup>4</sup> In 2001 the grade will drop to 0.0246 ounces per ton. Over the remaining mine life, ore grades are expected to average 0.0231 ounces per ton. This results in higher operating cash production cost per ounce (meaning that it will cost more to recover each ounce of gold).<sup>5</sup> In 2001, without adding higher grade ore, Fort Knox cash operating costs will increase to \$227 an ounce. In 2002, costs will jump dramatically, rising to \$282 an ounce. Clearly, with operating costs at that level and with gold prices averaging about \$279 an ounce, severe cost reductions would be required.

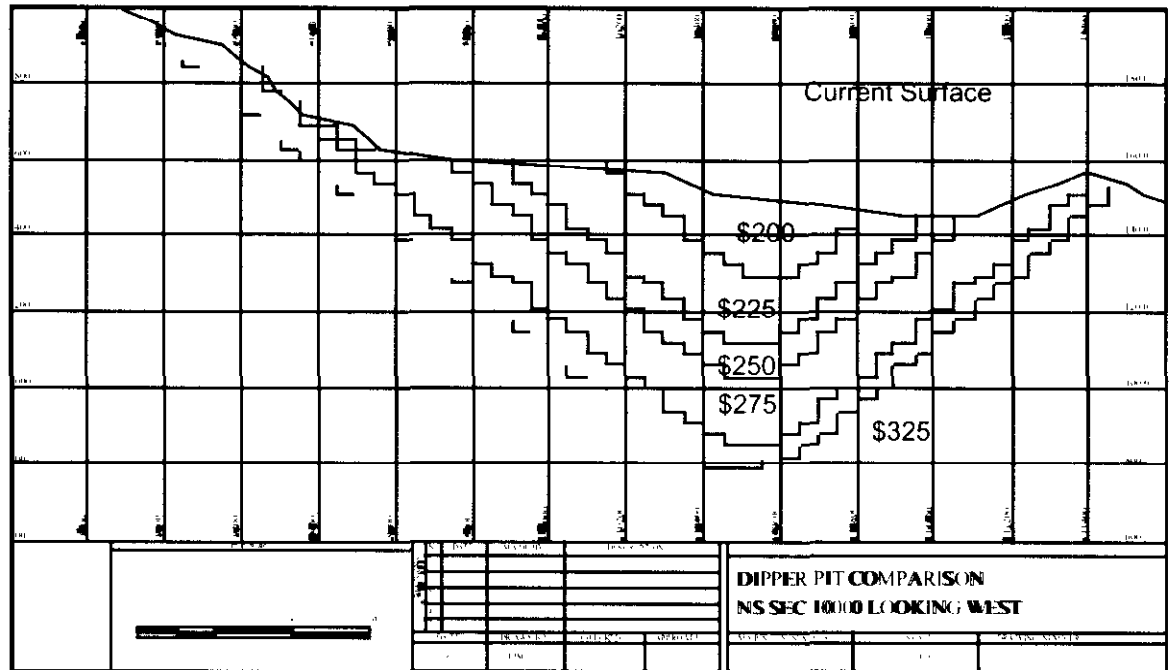
As illustrated in the following diagram, mine life is directly related to the price of gold. As the price of gold rises, lower grades of ore can be profitably mined. This means that more of the deposit can be profitably mined, which can extend the life of the mine.

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<sup>4</sup> Grade is generally defined as quantity or quality of a mineral, compound, raw material or precious metal per unit of volume or weight. For hard rock gold mining, grade is defined as the quantity of gold measured in troy ounces per ton of rock.

<sup>5</sup> Cash Production Cost per Ounce is the cash production costs divided by the gold troy ounces produced for a given period of time. Also generally defined as the unit cost of production.

**Figure 1.  
Fort Knox Mine Pit Sensitivity to Gold Price**



## ***Chapter II: Economics of the True North Project***

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The True North gold deposit is located approximately 25 miles northeast of Fairbanks and ten road miles west of Fort Knox. The project is located in an area with a long history of mining related activity and classified for resource development by the State of Alaska. Approximately 460,000 ounces of proven and probable gold reserves have been identified at the True North deposit as of year end of 1999. Currently the project is going through the permitting stage. An environmental evaluation was completed in September 2000.

Kinross acquired partial ownership of the True North gold deposit in February 1999 with the purchase of La Teko Resources Ltd. Kinross acquired 100% ownership of the deposit with the purchase of Newmont Mining Corporation's share in June 1999. True North, which has higher-grade ore compared to the Fort Knox orebody (.063 ounces per ton versus 0.0231), will be developed to supplement the Fort Knox mill feed.<sup>6</sup>

The True North mine will operate year-round using conventional open pit mining methods. Approximately 10,000 tons of ore per day will be trucked to the Fort Knox mill for processing. Production will average approximately 180,000 ounces of gold annually. Pending outcome of the permitting process, mining is projected to begin in early 2001 and continue into 2003. Capital costs, including road construction, pit development and equipment acquisition, are estimated to be between \$20 and \$30 million. The mine's estimated annual cash operating costs will total approximately \$15 million, including labor.<sup>7</sup> Roughly half of the materials and services required for operation of the True North will be purchased in Fairbanks.<sup>8</sup>

The True North project will directly create approximately 100 new jobs in Fairbanks, with an annual payroll of \$5.4 million. Additional jobs and payroll would be generated in the support sector as local spending creates additional economic activity in the community. This indirect or induced employment occurs throughout the local service and supply sector. Local spending by the mining company on supplies and services creates jobs in the businesses providing these goods and services. In addition, spending by mine employees in local stores and with service providers also creates jobs. These indirect or "multiplier" effects can represent a significant portion of the overall economic impact of industrial or commercial development.

While it is beyond the scope of this study to model the Fairbanks economy in sufficient detail to precisely determine the multiplier for True North, using standard multipliers developed elsewhere it is possible to predict indirect impacts with some level of accuracy. Based on research conducted on the economic impact of the Fort Knox Mine, the employment impact of True North, including direct and indirect

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<sup>6</sup> Source: *True North Project Environmental Evaluation*.

<sup>7</sup> Source: *True North Project Description*, Fairbanks Gold Mining, Inc.

<sup>8</sup> This estimate is based on the assumption that 75 percent of all purchases of goods and services will be made locally.

employment, could total approximately 220 jobs.<sup>9</sup> These jobs would account for a total of about \$7.1 million in annual payroll.

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<sup>9</sup> Total employment attributable to True North could be less than this total, depending on the life of the mine. Typically, it takes several years for a local support sector to fully develop around a new industrial enterprise.

In summary, the True North project could generate a \$25 million to \$30 million annual impact on the Fairbanks economy, including direct and indirect payroll, and direct and indirect local spending on goods and services.<sup>10</sup> This does not include one-time economic benefits associated with construction-related spending.

## **Other Economic Impacts**

Fairbanks Gold Mining Co. has awarded a contract for road construction to AIC, a wholly owned subsidiary of CIRI. The road is estimated to cost \$6 million. The contractor (AIC) has been unable to begin road construction due to the delay in issuance of the necessary permits. The contractor has equipment and employees that are idle until the permits are granted. This could increase the cost of the True North Project.

Ore haulage from the True North mine to the Fort Knox mill will be done using over-highway tractor-trailers specifically for the True North. Trucking ore from True North is estimated to be worth \$3.0 million annually over the three-year mine life.

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<sup>10</sup> Total employment impacts are based on a multiplier of 2.2 (1 direct job creates another 1.2 jobs in the support sector). Spending impacts are based on an assumed multiplier of 2.5. See *Economic Impact of the Fort Knox Mine on the Fairbanks North Star Borough* for a detailed discussion on these multipliers.

## **Chapter III.**

# ***Economic Linkages between True North and Fort Knox***

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### **Economic Impact of True North on the Fort Knox Mine**

Development of the True North deposit would have important affects on the economics of the Fort Knox Mine. Mixing the higher-grade True North ore with the lower-grade Fort Knox ore will, at least, increase the average grade of ore processed in the Fort Knox mill, improve gold production, and increase the life of the Fort Knox operation. Development of True North ore will provide positive assurance of the 800 directly or indirectly jobs attributable to True North and Fort Knox.

This chapter addresses the economic linkages between True North and Fort Knox. The analysis begins with a discussion of how True North will affect operations and production at Fort Knox. Following that is a discussion of what the future may hold for Fort Knox in the absence of development of True North.

#### **Current Situation**

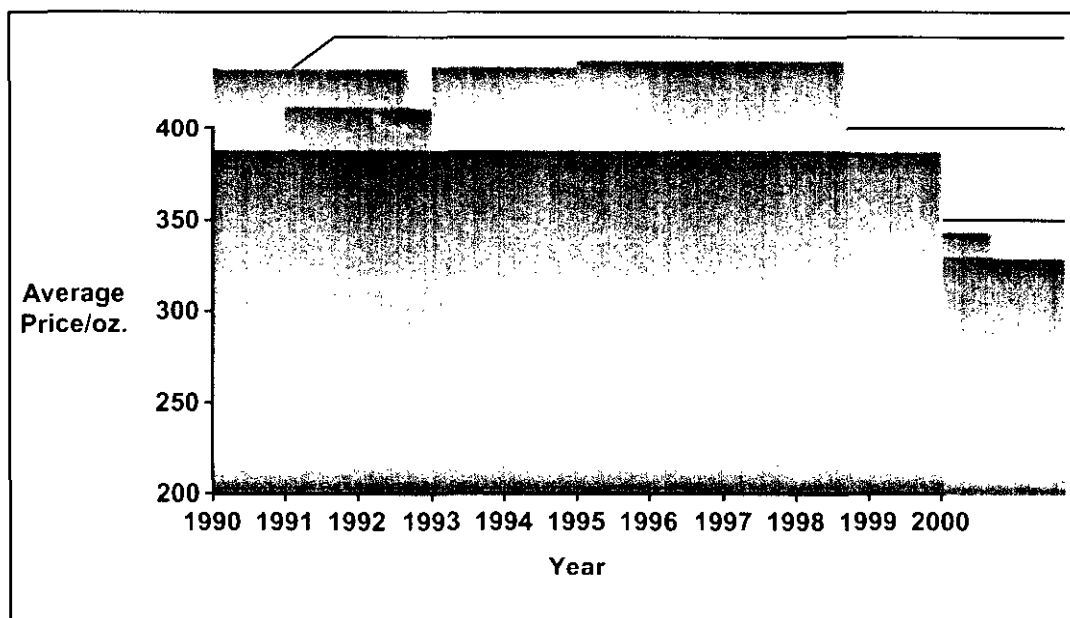
To understand the potential economic impact of True North, it is important to recognize the financial environment within which Fort Knox is operating. The Fort Knox deposit was explored and evaluated in the late 1980's and early 1990s, with mine development occurring in 1995 and 1996. During the ten-year period from 1987 to 1996 – including the exploration and development period for Fort Knox – gold prices averaged \$387 an ounce. Mine developers invested \$373 million in the mine, preparing the ore body, building the mill and constructing ancillary facilities. With the expectation of cash operating costs averaging 245 an ounce, the mine had a bright future (cash costs include all costs associated with mining and milling, but not including depreciation and debt service).

However, in 1997, gold prices began to slide, averaging \$331 an ounce for the year. In 1998, the average price slipped further, to \$294 and then again to \$279 in 1999. In 2000 to date, gold prices have averaged \$279.<sup>11</sup>

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<sup>11</sup> Source: World Gold Council/Kitco Gold

**Figure 2.**  
**Average Annual Price of Gold**  
**(U.S. Dollars – Actual Terms)**



This decline in prices has hurt gold mines and gold mining companies around the world. Mine closures have accelerated in the U.S. and internationally. Mine operators have found themselves in the position in which they are forced to prematurely shutdown mines as a result of low gold prices.

In 1998, as a result of low gold prices, Kinross reviewed the carrying value of Fort Knox assuming a long-term gold price of \$325 per ounce. As a result, it wrote down \$145.2 million of the \$375 million value of mine. In 1999, the company again evaluated the property with the assumption of a lower gold price of \$300 per ounce and wrote down an additional \$108.8 million for the Fort Knox Mine.

Fort Knox is not only contending with weak gold prices, but also with a decline in ore grade. The mining operation is moving into a area of lower-grade ore. The average grade has been 0.0292 ounces per ton. In 2001 the grade will drop to 0.0246 ounces per ton and over the remaining life of the mine will average 0.0231 ounces per ton. This results in higher cash operating cost per ounce (meaning that it will cost more to recover each ounce of gold). In 2001, without True North ore, Fort Knox operating costs will increase to \$227 an ounce. In 2002, costs will jump dramatically, rising to \$282 an ounce unless severe cost reduction steps are taken, before dipping back to around \$240 in 2003 and 2004 as somewhat higher grade is processed.

In summary, Fort Knox faces declining gold prices coupled with increasing operating costs per ounce.

## **Response to Declining Prices and Rising Costs**

Gold miners deal with declining prices and/or rising costs in fairly predictable ways – beyond the continuous effort to improve mine and mill efficiency (i.e., reduce operating costs). First, non-essential spending is cut. This sometimes means reduced or eliminated spending on exploration. This, of course, can only be a short-term solution. Exploration is the link to the future for mining companies. Without exploration, no new reserves will be discovered and ultimately, as known reserves are exhausted, mining will cease.

After exploration spending is cut, mining companies must begin reducing capital expenditures, that is, reinvestment in mine and mill equipment and other facilities. This, too, is a short-term solution. Without reinvestment, equipment reliability will decline, more down-time will be experienced and, over the long-term, operating costs will increase, sometimes to the extent that costs exceed revenues.

Declining prices and rising costs can also force mining companies to increase the cut-off grade. Rock with gold content above the cut-off grade is sent to the mill and gold is recovered. Rock with gold content below the cut-off grade is either treated as waste rock or stockpiled for potential future processing. When the cut-off grade is increased, the short-term economics of the mine can be improved, but it also reduces the life of the mine.

If all other measures fail, companies can be forced to place a mine on a care and maintenance status – temporarily closing the mine. Workers are laid off except for a skeleton maintenance crew. Finally, if the outlook for prices and costs is sufficiently discouraging, permanent closure can occur. The workforce is dismissed, equipment is sold for its salvage value, other facilities may be demolished, and mine reclamation is conducted.

## **Impact of Milling True North Ore at Fort Knox**

While the company cannot change the price of gold, True North presents a unique opportunity to blend higher-grade ore with Fort Knox ore, thereby increasing the average grade of ore processed by the mill. True North would supply approximately 10,000 tons of ore per day to the Fort Knox mill. That ore is expected to have an average grade of .063 ounces per ton, nearly three times the 0.0231 opt average life of mine grade at the Fort Knox ore body. This will result in production of a blended ore with an average grade of .0312 opt.

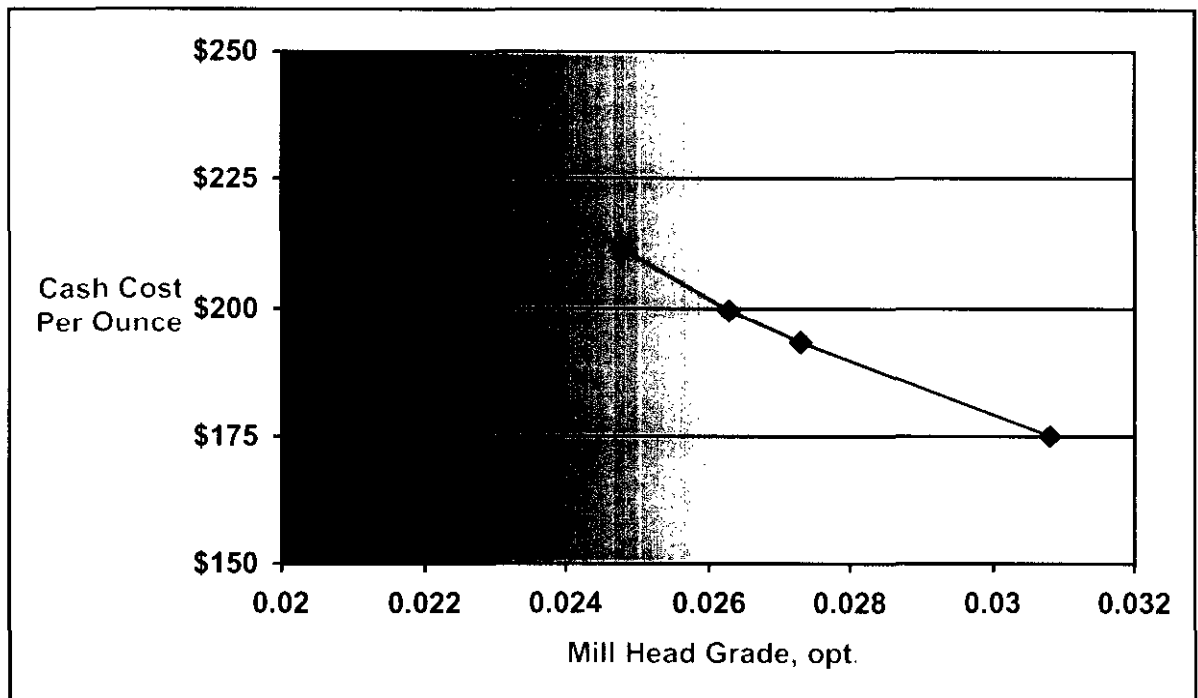
From a cost perspective, blending True North ore with Fort Knox ore will result in a reduction in per-ounce cash production costs. For example, in the absence of True North, Fort Knox will, in 2001, produce gold at an average cash cost of \$227 per ounce. Blending True North ore with Fort Knox ore will result in an average cash cost of \$196 per ounce of gold. Over the next three years of Fort Knox operations, blending ore from True North deposit will result in an average cash operating cost reduction of \$31 an ounce. That cost reduction will translate into improved annual cash flow of approximately \$13 million. This savings can be used to conduct



additional exploration, to upgrade or replace aging equipment, and on other measures to ensure the continued economic benefits of the Fort Knox Mine.

If gold prices continue to trend down, the mining operating cost per ounce associated with blending True North ore could be enough to prevent mine shut-down.

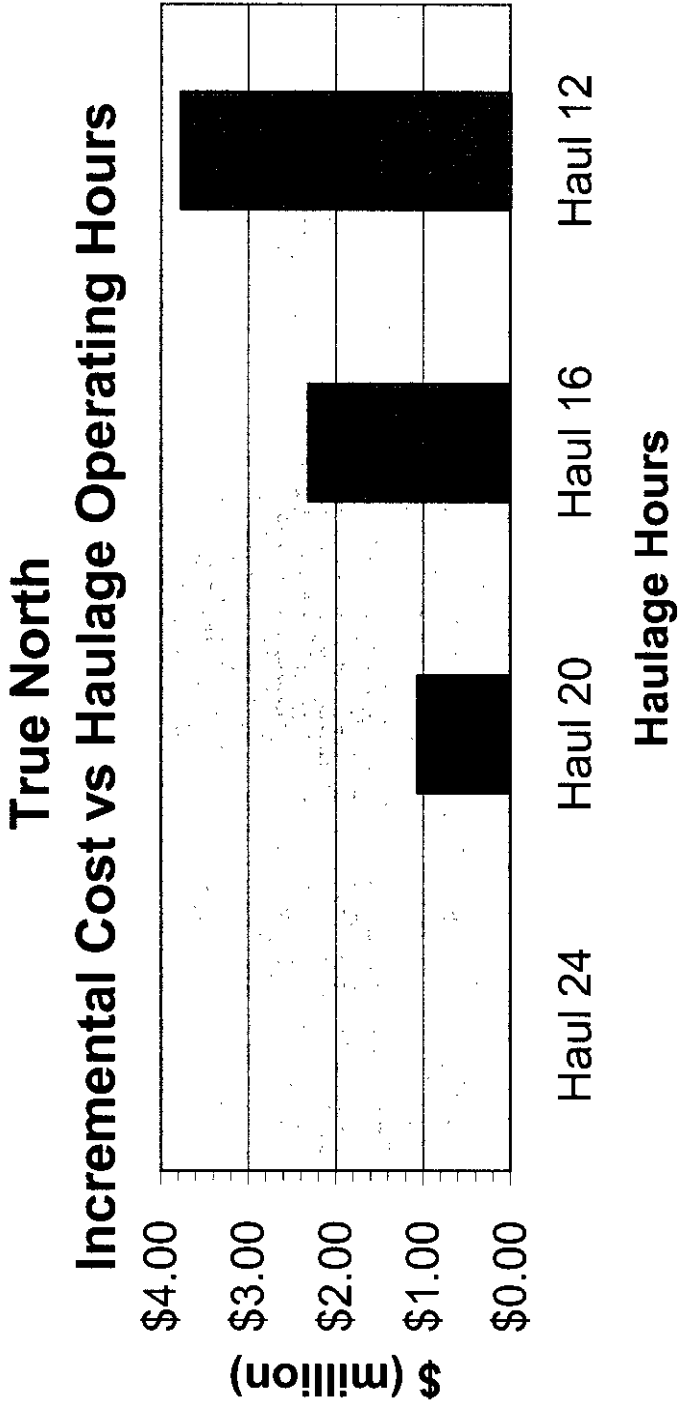
**Figure 3.  
Fort Knox Mine  
Gold Grade vs. Cash Cost**



### **Life of Fort Knox with True North**

The life of a mine can be longer or shorter than mine developers' originally anticipate. Increasing gold prices, improved technology, lower cost of production including factors such as lower fuel or electric costs, can all add years to the life of a mine. Conversely, technical difficulties, declining gold prices, or increasing production costs can force temporary closure or permanently end the life of a mine.

In addition to increasing average grades and lowering cash costs, blending True North ore with existing ore will extend the life of the Fort Knox Mine.



# True North Project Amendment - Incremental Cost vs Haulage Operating Hours Summary

#####

| Year   | 2002    | 2003    | 2004    | Total   |
|--|---------|---------|---------|---------|
| <b>Base Case Ore Haulage 24-Hours per Day</b>                              |         |         |         |         |
| Tons Ore Hauled per Year with 9-Trucks Operating at Night (million)        | 3.70    | 3.70    | 3.70    |         |
| Incremental Operating Costs \$ (million)                                   | \$ -    | \$ -    | \$ -    | \$ -    |
| Incremental Capital Costs \$ (million)                                     | \$ -    | \$ -    | \$ -    | \$ -    |
| Total Increase in Incremental \$ (million)                                 | \$ -    | \$ -    | \$ -    | \$ 0.00 |
| <b>Ore Haulage 12-Hours per Day</b>  |         |         |         |         |
| Basic Maintenance and Operating Costs the Same per Truck Mile              |         |         |         |         |
| Tons Ore Hauled per Year (million)   | 3.70    | 3.70    | 3.70    |         |
| Additional Tonnage Hauled per Year During the 12-Operating Hours (million) | 1.85    | 1.85    | 1.85    |         |
| Additional Trucks Required During the 12-Operating Hours                   | 9       | 9       | 9       |         |
| Incremental Operating Costs Ore Rehandle (million)                         | \$ 0.65 | \$ 0.65 | \$ 0.65 | \$ 1.94 |
| Incremental Capital Costs (million)  | \$ 1.82 | \$ -    | \$ -    | \$ 1.82 |
| Total Increase in Incremental \$ (million)                                 | \$ 2.47 | \$ 0.65 | \$ 0.65 | \$ 3.76 |
| <b>Ore Haulage 16-Hours per Day</b>  |         |         |         |         |
| Basic Maintenance and Operating Costs the Same per Truck Mile              |         |         |         |         |
| Tons Ore Hauled per Year (million)   | 3.70    | 3.70    | 3.70    |         |
| Additional Tonnage Hauled per Year During the 16-Operating Hours (million) | 1.23    | 1.23    | 1.23    |         |
| Additional Trucks Required During the 16-Operating Hours                   | 5       | 5       | 5       |         |
| Incremental Operating Costs Ore Rehandle (million)                         | \$ 0.43 | \$ 0.43 | \$ 0.43 | \$ 1.30 |
| Incremental Capital Costs (million)  | \$ 1.01 | \$ -    | \$ -    | \$ 1.01 |
| Total Increase in Incremental \$ (million)                                 | \$ 1.44 | \$ 0.43 | \$ 0.43 | \$ 2.31 |
| <b>Ore Haulage 20-Hours per Day</b>  |         |         |         |         |
| Basic Maintenance and Operating Costs the Same per Truck Mile              |         |         |         |         |
| Tons Ore Hauled per Year (million)   | 3.70    | 3.70    | 3.70    |         |
| Additional Tonnage Hauled per Year During the 20-Operating Hours (million) | 0.62    | 0.62    | 0.62    |         |
| Additional Trucks Required During the 20-Operating Hours                   | 2       | 2       | 2       |         |
| Incremental Operating Costs Ore Rehandle (million)                         | \$ 0.22 | \$ 0.22 | \$ 0.22 | \$ 0.65 |
| Incremental Capital Costs (million)  | \$ 0.40 | \$ -    | \$ -    | \$ 0.40 |
| Total Increase in Incremental \$ (million)                                 | \$ 0.62 | \$ 0.22 | \$ 0.22 | \$ 1.05 |

|         |         |    |
|---------|---------|----|
| Haul 24 | \$0.00  | 24 |
| Haul 20 | \$ 1.05 | 20 |
| Haul 16 | \$ 2.31 | 16 |
| Haul 12 | \$ 3.76 | 12 |

**Memorandum**

**TO:** Ed Fogels  
**DATE:** May 1, 2002  
**TELEPHONE:** (907) 269-8658  
**FROM:** Stephen C. Planchon  
Executive Director  
**SUBJECT:** True North Authorizations



Thank you for providing the Trust Land Office (TLO) with an opportunity to comment on adverse economic impacts of the DNR authorizations that allow True North ore to be transported to the Fort Knox mill. The TLO commented on this point in my October 24, 2000 letter to Chris Milles, which is attached. At that time it was brought to DNR's attention that the proposed authorizations were consistent with the probable highest and best use outcomes of the extensive Trust land holdings in the area (over 50,000 acres). If DNR had denied the authorizations, or limited the authorizations to the extent that it made the True North project uneconomic, then the economic value of adjacent Trust lands, including values associated with the existing Fort Knox operation, would have been severely impacted. As a case in point, the Fort Knox millsite lease rents were increased from about \$30,000 per year to \$150,000 per year (a 400% increase) due to the mill facilities being authorized to become a regional mill for the purpose of processing non-Fort Knox ores. All of the millsite rents are available for mental health service related programs throughout the state. If this revenue stream were reduced due to a revised decision by DNR, mental health programs will be affected.

While the Fort Knox rents are significant, they do not represent the full potential value of the Trust Land as envisioned by the parties, including the State of Alaska, who agreed to place the lands in the reconstituted Trust in 1994. Additional values could accrue in at least two ways. First, the longer the Fort Knox mill stays in operation, regardless of the ore source, the higher likelihood that the Trust will receive royalty payments from the Fort Knox upland mining lease, which is based upon a net profits royalty calculation method. Second, the existence of the regional mill increases the likelihood that other Trust minerals will be mined in the area, resulting in significant net smelter royalties to the Trust.

While the TLO appreciates that local businesses in the area are experiencing change due to the new activities, the change was predictable due to historic State and Fairbanks North Star Borough land use planning decisions and designations. This outcome is similar to the homebuyer building a house close to the back lot line, even though the back lot line happens to be the outside boundary of an unbuilt road right of way. Construction of the road was predictable and should not result in an economic claim against the road project.

While the TLO does not agree with the economic harm claim of the local businesses when considered in the context of competing Trust land uses and the overall economic benefit to the State, we have participated in efforts to mitigate economic impacts, including, but not limited to, authorizing new roads on Trust land in order to move the road further from existing businesses. When these actions are considered, along with other specific actions taken by FGMI (e.g., light and sound mitigation) it is clear, that a "balanced approach" has been taken and should not be altered at this time.

Attachment: 10/24/2000 Letter to Chris Milles

October 24, 2000

Chris Milles  
Northern Regional Office  
Alaska Department of Natural Resources  
3700 Airport Way  
Fairbanks, Alaska 99709

RE: Trust Land Office Comments-True North Project  
MHT 9400109

Dear Mr. Milles:

This letter expresses the comments of the Trust Land Office (TLO) on behalf of the Alaska Mental Health Trust Authority with regard to the True North Project and is in response to your call for public comments pertaining to the use of state land for the True North Project.

The Alaska Mental Health Trust was created by Congress in 1956. It included a grant of 1 million acres of land, which was to be used to generate revenues to meet the expenses of mental health programs in Alaska. Settlement of a lawsuit in the 1980's that challenged the way the state was managing these lands resulted in the formation of the Alaska Mental Health Trust Authority in 1994. The responsibility of this entity is to ensure the creation of a comprehensive, integrated mental health program for Alaska. The 1994 settlement reconstituted lands of the Alaska Mental Health, and required the creation of a separate land management unit (the TLO) within the Department of Natural Resources (DNR) to manage these lands.

The "reconstituted Trust" includes lands that were part of the original federal grant, as well as lands that were substituted for original lands that had previously been conveyed out of the Trust by DNR. Selection of lands as substitutes for original grant lands was subject to a rigorous and comprehensive process that involved local, state and federal agencies as well as special interest groups. The resultant "substitute" lands that were approved for inclusion in the Trust are lands which, as agreed by all who participated in the process, were lands that could provide the requisite opportunities for development and revenue generation that were the basis for the original grant.

The Trust Authority owns over 50,000 acres of land in the Fairbanks Mining District. All of this land is substitute land that was subject to the selection process described above during the reconstitution of the Trust. The assumption by all who participated in that process was that this land could and would, if the opportunity arose, eventually be

developed for the benefit of the Trust. A large portion of this land is located in and around the Ft. Knox Mine and the True North Project. This land, by definition, is to be used for revenue generation in support of mental health programs for needy Alaskans.

The proposal by Fairbanks Gold Mining, Inc. (FGMI) and its parent, Kinross Gold, to develop a regional mill in this vicinity using the already constructed facilities at Ft. Knox is viewed by the Trust as the best opportunity to realize the value for which these lands were conveyed. Further, it is felt that the use of a regional mill to process ore makes the best environmental sense, since additional Trust lands will not be impacted by the creation of new processing facilities. The True North Project represents the first of the so-called "satellite" projects that would use the Ft. Knox mill. While the initial land to be mined at True North does not contain Trust land, the higher grade ore to be brought to Ft. Knox will be blended with lower grade ore at Ft. Knox, thereby allowing for the continued mining and processing of Ft. Knox ore, which is located on Trust land. Extending the mining and processing of Ft. Knox ore increases the likelihood that royalty revenues will be paid to the Trust from the Ft. Knox project. In addition, it is felt by the Trust that successfully establishing the viability of the regional mill concept increases the chances that other land owned by the Trust in the area that has mineral potential will eventually be developed.

For the reasons mentioned above, the Alaska Mental Health Trust, through the Trust Land Office, supports the True North Project and encourages the state to move forward with the authorizations necessary to allow for the project to progress.

Sincerely,

Stephen C. Planchon  
Executive Director

Cc: Jeff Jesse, Executive Director, Alaska Mental Health Trust Authority

April 29, 2002

TO: Department of Natural Resources  
Division of Mining, Land and Water  
550 W. 7<sup>th</sup> Ave., Suite 900D  
Anchorage, AK 99501  
Attn: Ed Fogels

FROM: Don Scheaffer  
Property owner: Olnes  
Address: 1701 2<sup>nd</sup> Ave., Apt 3  
Fairbanks, AK 99701  
Phone: home: 456-2426  
work: 474-7256

SUBJECT: TRUE NORTH EXPANSION

APPLICANT: Fairbanks Gold Mining

LOCATION: True North Upland Mining Lease

I believe that the use of the True North right-of-way for the access haul road activities has diminished the value of the property in the Olnes subdivision. Property owners may be able to avoid a reduction of the property value if they were able to acquire the rights to the mineral value below the surface of the land.

Clearly, the True North activity and all the related legal activities have made the property less attractive to a potential buyer or a property owner wishing to build on the property.



**Subject: Economic Impact of Ore Trucks on Cleary Summit**

**Date:** Tue, 30 Apr 2002 09:21:07 +0000

**From:** ,, <mshields@mosquiconet.com>

**To:** Mt.Aurora@worldnet.att.net

To: Ed Fogels - DNR  
From: Mary Shields -Alaskan Tails of the Trail - tour operator/owner  
near Fairbanks

Dear Mr. Fogels,

A few weeks ago, I attended a workshop out at the Mt. Aurora Fairbanks Creek Bunkhouse Lodge. It was a special setting for our work that weekend, and I could only imagine how the Japanese visitors would love the big sky, the peace and the quiet.. and if lucky, the chance to observe the aurora. BUT, every 10 minutes or so, an ore truck would rumble by, shifting gears, raising a dust cloud and destroying the natural landscape with bright headlights. This will certainly destroy the experience for the visitor.

I have been a member of the Fairbanks Visitors and Convention Bureau for the past six years. I am speaking for myself in these comments. We have put winter tourism at the top of our list, to help provide year-round jobs and economic diversity for our community. Our major winter ad features an aurora lighting up a dark sky. This is our strongest marketing message for winter. As you know, the State of Alaska is not contributing much to marketing Alaska to the world. The little progress we have made is precious, and we must build on it, or we will be set back 10 years. Canada is marketing aurora viewing greatly, and gives us much competition. If another season's visitors return to Japan and report a diminished experience, it will hurt us all. These same visitors spend some of their time at Cleary summit, but they also stay in hotels in Fairbanks, and eat in Fairbanks and buy things to take home.. all in Fairbanks. This is bigger than just the business on Cleary Summit. This affects many Fairbanks businesses.

I ask you to enforce a different system for next winter. Build a different road, not visible or audible, from Cleary. Or make them stop hauling during the night. There is room for both tourism and mining and now it is time to make this a win-win situation. Please call me if you have questions.

Sincerely ,

Mary Shields  
907-455-6469

**Subject: Economic Impact**

**Date:** Mon, 29 Apr 2002 15:57:52 -0800

**From:** <marg@clearysummit.com>

**To:** "Ed DNR Fogels" <edf@dnr.state.ak.us>

**CC:** "Tom Irwin" <tirwin@fairbanksgold.com>, "Stan DNR Foo" <stanley\_foo@dnr.state.ak.us>, "Robert Buchan" <bbuchan@kinross.com>, "Randall, Bob" <bob@trustees.org>, "Planchon, Stephen C" <steve\_planchon@dnr.state.ak.us>, "Pete Kelly" <Senator\_Pete\_Kelly@legis.state.ak.us>, "Pat DNR Pourchot" <pat\_pourchot@dnr.state.ak.us>, "John Gov Sisk" <john\_sisk@gov.state.ak.us>, "John Davies" <Representative\_John\_Davies@legis.state.ak.us>, "Jim Whitaker" <Representative\_Jim\_Whitaker@legis.state.ak.us>, "Jim DNR Vohden" <jimv@dnr.state.ak.us>, "Harry DNR Bader" <harry\_bader@dnr.state.ak.us>, "Governor Knowles" <office\_of\_the\_governor@gov.state.ak.us>, "Gene Therriault" <Senator\_Gene\_Therriault@legis.state.ak.us>, "Fran Ulmer" <fran\_ulmer@gov.state.ak.us>, "Hank Bartos" <hbartos@gci.net>, "Tim Beck" <tbeck@ptialaska.net>, "Eileen Cummings" <cummings@awcable.com>, "Guy Sattley" <clerks@co.fairbanks.ak.us>, "Jim Holm" <htn@gci.net>, "Victoria Fotte" <fnvmf@uaf.edu>, "Bonnie Williams" <bwilliams@mosquitonet.com>, "Nancy Webb" <webb@mosquitonet.com>, "Karen Parr" <kparr@polarnet.com>, "Rick Solie" <rjsolie@ppco.com>, "Gary Hutchenson" <glhutch@gci.net>, <editor@newsminer.com>, "Ed DNR Fogels" <edf@dnr.state.ak.us>, "Diana Campbell" <business@newsminer.com>, "Deb Hickok" <dhickok@explorefairbanks.com>, "Mt. Aurora Fairbanks Creek Camp" <mt.aurora@worldnet.att.net>, "Mara Bacsujlaky" <mara@northern.org>, "Lance or Karen Parrish" <lanceandkaren@gci.net>, "John Finch" <jfinch@fairbanksnative.org>, "Jan & Phil Lokken" <lokken@mosquitonet.com>, "Cheryl Berrong" <araven@mosquitonet.com>, "Brad De Noble" <bdenoble@alaska.net>, "Tom Walyer" <twalyer@mosquitonet.com>, "Chris DNR Milles" <chris\_milles@dnr.state.ak.us>, "Bob DNR Loeffler" <bobl@dnr.state.ak.us>, "Bill Jeffress" <bjeffress@fairbanksgold.com>, "Steve DNR McGroarty" <steve\_mcgroarty@dnr.state.ak.us>, "Tom Gov. Moyer" <tom\_moyer@gov.state.ak.us>, "Wilken Gary" <Senator\_Gary\_Wilken@legis.state.ak.us>

**April 28, 2002**

**To:** Ed Fogels

**Re:** Economic Impact of the True North Haul Road

There's a small band around the North Pole and the South Pole of Planet Earth where the

aurora is visible to Earthlings.

Fairbanks is fortunate to be in this narrow band. Within this small band, there are very few places that are accessible and high enough to have an optimum view of the aurora. Of these few places, there are even fewer places where lights from urban areas don't interfere with optimum aurora viewing, yet close to the conveniences of an urban area.

Before the opening of the True North Haul Road, Cleary Summit was one of the few places on Earth that passed all of the above tests for optimum aurora viewing.

Aurora viewing and winter tourism are underdeveloped and have great economic potential in the State of Alaska and the Fairbanks area.

Optimum aurora viewing on Cleary Summit has been destroyed by the noise, lights and dust from traffic on the True North Haul Road. DNR has allowed FGMI to operate 24 hours a day, 7 days a week, offering no peace and quiet nor darkness for aurora viewers.

The DNR employees we have dealt with are obviously pro-mining and have, in fact, extensive experience in mining. They have not been fair to the tourism businesses on Cleary Summit (and related businesses).

The DNR employees who monitor the True North Haul Road live 400 miles from this road. In spite of numerous complaints of noise, lights, and dust (with many photos of dust and lights), they say these complaints are unfounded. They are clearly 'blowing us off'. And we have no reason to believe that they won't continue to ignore us.

DNR has been biased from day one and makes no pretense to hide it. Even recently, DNR publicly stated that they have given us every consideration and have mitigated all the impacts. Yet, WE STILL HAVE LIGHTS SHINING INTO OUR RESIDENCE. WE STILL HAVE NOISE WAKING RESIDENTS UP AT NIGHT. WE STILL HAVE DUST BILLOWING UP TO OUR HOMES AND BUSINESSES. When DNR says that all impacts are mitigated, THIS IS NOT TRUE.

It would be in the best interest for the State of Alaska to promote winter tourism AS WELL AS mining. This can very easily be done in our situation by a simple compromise. Ore hauling on the True North Haul road can be limited to 12 hours per day, during daytime hours.

In this way, aurora watchers will have the optimum unique experience of the aurora, and the mine will still be able to haul and process ore.

Cleary Summit businesses can also promote summer tourism insuring guests a quiet night's sleep.

We have been trying to promote this compromise from the beginning but DNR has not been willing to listen to us, once again saying that the impacts have been mitigated. I cannot stress this enough, **THE IMPACTS ARE STILL VERY REAL AND HAVE NOT BEEN MITIGATED.**

We are not hopeful that a fair and unbiased decision will be made by DNR but we are going through the motions.

Margaret Johnson

Cleary Summit Bed & Breakfast

April 30, 2002

Ed,

I understand that your Fairbanks office is telling people that the comment period is not open to the public. This is outrageous and is just another example of why the Fort Knox/True North project should be run out of the DNR Fairbanks office. Not only does the right hand not know what the left hand is doing, but also keeping some parts of the record in Anchorage and some parts in Fairbanks is a disservice to Fairbanksans and inefficient and cumbersome to say the least. This process has been compromised and needs to be started over with a public notification of exactly what the process is.

As I stated in my original email to Stan it appears that DNR concluded on its own that 12-hour trucking would make the True North Project uneconomical. As you are aware I have personally searched the record both in Anchorage and Fairbanks and found no statements or documentation from FGMI to substantiate this conclusion on DNR's part. Where in record is the evidence that brought DNR to this decision?

Throughout this process we have provided photographic evidence as well as expert testimony to back up our claims that we will be and have been unreasonably impacted by this project, and, to document violations of the permit. FGMI on the other hand has made undocumented statements or manufactured evidence. We are blown off and FGMI taken at their word.

During the year 2001 gold averaged \$273.22 an ounce. So far this year gold has averaged \$293.05, above \$300.00 in April, closing today above \$308.00. This \$20+ increase is rapidly erasing any claimed inability ability to afford 12 hour trucking. Using Kinross's projection of 440,000 ounces for this year, the Fort Knox/True North increase in profit for the year 2002 will exceed 8 million dollars.

12-hour trucking is a win, win situation for Alaska. The state wins as more money from the mine stays in the state. Especially considering FGMI has paid no royalty on Alaska's gold it has mined and probably never will. The threat to tourism is greatly reduced.

Having said that, where is the documentation that DNR used to arrive at the conclusion 12-hour trucking would make the project "*uneconomical*" at the time the permit was issued??? Have you resolved the discrepancy between DNR's statement in the permit that it would cost 2 million dollars a year and FGMI's attorney's statement to the judge that she thought it was over the length of the project???

Please add this as well as all my previous correspondence to my comments.

Thanks,

Chuck  
Cleary Summit Bed & Breakfast

PO Box 84531  
Fairbanks, Alaska 99708  
Ph. 907.452.5021, ext. 28  
Fax. 907.425.3100



April 30, 2002

Mr. Edmund Fogels  
Alaska Department of Natural Resources,  
Division of Mining, Land and Water  
550 West 7<sup>th</sup> Avenue, Suite 900D  
Anchorage, AK 99501-3577

*By electronic mail*

Dear Ed:

This is to confirm what you conveyed in our phone conversation prior to your trip to MT. I had asked about what guidelines/procedures were being followed by DNR in conducting and completing this economic analysis for the True North ore haul road. It is my understanding, based on what you said, that there was not a formal process for this analysis per se, at least not to the level of formality that, for example, an initial permit process would have. You indicated that although public comments on economic impacts from the True North haul road are due today, April 30<sup>th</sup> - this due date was issued for the sake of moving the analysis along, and that this "deadline" does not have the finality that the closure of a formal 30-day comment period would have. You also indicated that ADNR would continue to receive and review information submitted by the public, as long as it was received prior to the finalization of the economic analysis, and as long as it was practicable for DNR to include it in its reviews and analyses.

It was extremely disturbing to hear today from a member of the concerned public that she was told by personnel in the Fairbanks DNR office that she could not submit information for the True North economic analysis- and that the Fairbanks office personnel were unable to answer her questions about the matter. She was directed to the web site, which of course does not contain information of this specific a nature. This again highlights the problem of having this mine project administered from the Anchorage office. First, it seems that the Fairbanks staff are not fully informed about the economic analysis process, and are therefore left in the unfortunate position of disseminating inaccurate information. Second, the complete True North administrative record is not in Fairbanks - since most of the important, decision-making documents are sent to you or originate from you in the Anchorage office. Despite your response to Margaret Johnson that she was misinformed as to the number of staff working on the True North/Ft. Knox mine that reside in Anchorage (you stated that seven staff responsible for monitoring True North/Ft. Knox live in Fairbanks), the fact remains that the project is directed out of the Anchorage office. I have been told by Fairbanks DNR staff affiliated with the True North/Ft. Knox mine project that they cannot answer my questions, and that all questions must be directed to you. I believe that other members of the public have been told the same thing. Additionally, it is evident that the decisions made on this project come from Anchorage. With the project's official administrative record housed in Anchorage, and the frequency with which you and Mr. Stan Foo commute to Fairbanks to administer this project, it is indisputable that for all intents and purposes, this mine project is directed from the Anchorage office. This does not allow for equitable Fairbanks public access to the True North/Ft. Knox project records or to responsible personnel.

Also, I must respond to several statements that you made in your April 8<sup>th</sup> letter to me.

First, in your opening paragraph, you stated that "the Alaskan public, including the Fairbanks tourism industry and the Cleary Summit residents, was already asked during several public notices to comment on concerns they may have about the True North Project. The proposed right-of-way decision made clear that the question with respect to issuance of the right-of-way was the greatest economic benefit to the state and the development of its resources."

This explanation for why it is not incumbent upon DNR to look beyond the mailing list that was generated by the public sign-in sheets at the True North public meetings is facile. It passes the buck from a public agency that is charged by statute to undertake this work to the general public. It is *not* the job of the general public to identify potential adverse economic impacts (or benefits) from the granting of this - or any other - right-of-way permit on state land - that is the job of DNR. It *is* the job of the public to provide information, if they are so interested, to DNR, but they need to know that such information is being solicited, and they need to know why and for what purposes. Limiting your information-finding efforts to the True North public meeting list is a very narrow interpretation of what is entailed under AS 38.05.850, as well as of Judge Pengilly's order to conduct an economic analysis and strike a statutorily mandated balance between the adverse economic impacts and the economic benefits from the True North project.

The public meetings were advertised as hearings for the True North Mine Project, and contained no details of the project. It is unreasonable to expect that certain individuals, for example, hoteliers in downtown Fairbanks, would draw a connection between permits for a mine located 25 miles from town and potential future impacts to their downtown businesses from operations on one component of that mine project. It is a near certitude that, indeed, these businesses failed to make such a connection, and thus did not attend any of the True North public meetings. Yet, if those downtown hoteliers, such as the Westmark, cater to winter aurora tours, as the Westmark does, then certainly they should be afforded the opportunity to contribute information to the economic analysis. The bottom line is that the judge's decision did not order DNR to open up another public comment period on the right-of-way permit, rather the court ordered DNR to conduct an economic analysis. The number of times that you have solicited information from the public on how they will be affected by the True North Project is wholly irrelevant to the task the court ordered you to undertake. What is relevant, however, is the reasonable expectation that is likely held by the court, and is certainly held by NMW and its members that DNR will conduct a fair, balanced economic analysis that diligently identifies and quantifies *equally* the benefits and adverse impacts from the True North project.

Second, in regards to my request to receive courtesy copies of correspondence between DNR and Fairbanks Gold Mining, Inc. you stated this would place an undue burden on your staff. I find this remarkable in light of the fact that a great proportion of correspondence between DNR and FGMI is in electronic form. I fail to see how adding another email address to the standard CC list would place an undue burden upon either you or your staff. Not only is your refusal to courtesy copy NMW on correspondence relevant to this economic analysis demonstrative of DNR's heavy-handed preferential treatment of the applicant, it is a significant road block to a fair and open public process. Again, without ready access to the administrative record, receiving courtesy copies of significant documents is even more important. You may state, as you do in your letter, that all DNR and ADL files and documents are available for public review, but that availability amounts to near zero since it requires travel to a city 350 miles away (for the average cost of approximately \$275/plane ticket).

DNR, like other state and federal agencies, has always managed quite well the numerous agency CC lists that are associated with its permits and activities - even for hard copy

documents that must be mailed. Therefore, it is extremely difficult to accept that adding NMW to your CC list for the True North project/economic analysis would be so burdensome as to contribute, as you opined, to an erosion in the fulfillment of your regulatory duties.

Additionally, in the past two phone conversations that I have had with you, you have declined my requests for a meeting between DNR and representatives from NMW and from Cleary Summit. I suggested a meeting as an opportunity for DNR to explain to NMW and other stakeholders what the process is for the economic analysis, what its scope will be, and how DNR will undertake the analysis, so that we would not be left in the dark as this matter proceeds.

However, with no regular correspondence/information from you, with our meeting request unfulfilled, and with your refusal to add us to relevant CC lists, we remain firmly outside the loop. We have received no information at all about the analysis framework, what economic components will be included in the analysis, what the scope of the analysis will be, what consultants, if any, are involved in the analysis, or when the analysis is expected to be completed. Referring NMW and other concerned members of the public to the public record for this information is a no-starter. It has been my experience, after two plus years of reviewing public records for several mine projects managed by DNR, that current documents related to a project are scattered on desks, languishing in IN and OUT boxes, and generally, located everywhere else but in the public record.

Absent, apparently, any regulation that governs the process of an economic analysis on remand, it appears that DNR takes the position that it is under no obligation to provide any of this information to specific, identified and affected stakeholders, or to the general public. However, a more transparent process would definitely be an improvement in public relations.

Finally, on another subject related to the True North ore haul road, I sent Mr. Aves Thompson, director of AKDOT's Division of Measurement Standards and Commercial Vehicle Enforcement, a letter on March 28<sup>th</sup> inquiring about the licensing requirements for ore haul trucks on the True North road, as well as asking what amount - if any - in fuel tax is paid by those ore trucks. Although this would appear to be a matter that Mr. Thompson would be most qualified to address, he forwarded the letter to you, and told me that you would provide the answers to the questions in my letter. Since I have been inquiring about these issues since late fall of 2001, I would appreciate a timely answer.

Thank you in advance your consideration of these matters.

Sincerely,

Mara C. Bacsujlaky, Director

eCC: Stan Foo, DMLW  
Commissioner Pat Pourchot, ADNR  
John Sisk, Governor's Office  
Amy Coffman, Rep. Davies Office  
Senator Gary Wilken



**Subject: True North Mine**

**Date:** Thu, 18 Apr 2002 20:56:45 -0800

**From:** "Clarice Dukeminier" <clariceduke@gci.net>

**To:** <edf@dnr.state.ak.us>

Dear Mr Fogels,

I received an orange card requesting information regarding economic impacts of the True North right of way for the haul road activities. I don't believe I have written your department on this before. But the mine and the haul road certainly impacted me, negatively, and I suspect it did other property owners as well.

I bought a cabin on Cleary Summit in the late 1970s. It was strictly recreational, a good place to go to look at the hills in the distance, pick blueberries, ski a little, and get away from the phone. It was nice because it was close to town but felt out of town, and there was virtually no vandalism. I put the cabin on the market when I found that the True North development was approved and would happen. A realtor wasn't able to sell my cabin, but I persisted and finally sold it, at a loss. I can't help but think that property values in the neighborhood have gone down with the mine development, noise, dust, traffic and lights. I haven't bought another recreational cabin. But at least I have another home to go to, and could afford to take a loss.

Thank you for the opportunity to write. I do feel sorry for the people who still live there and own property.

Clarice Dukeminier

**Subject: Comments for FAirbanks Creek Lodge**

**Date:** Wed, 1 May 2002 10:15:47 -0800

**From:** "Brenda Birdsall" <Mt.Aurora@worldnet.att.net>

**To:** "Ed DNR Fogels" <edf@dnr.state.ak.us>

Please consider the following for the Economic Impact study for our lodge. THanks, Brenda Birdsall

-----Original Message-----

**From:** Kirstin George [mailto:kirstingearge@hotmail.com]

**Sent:** Wednesday, May 01, 2002 8:18 AM

**To:** Mt.Aurora@worldnet.att.net

**Subject:**

Ms. Kirstin A. George  
RR 1 Box 62  
Jay, NY 12941

Department of Natural Resources --

I am very troubled by the gold mining operation that is underway on Cleary Summit northeast of Fairbanks. As a visitor from New York staying at the Mt. Aurora Lodge two weeks ago, I was dismayed by the scar on the landscape, the lights, and the large trucks rumbling by at all hours of the night. I am a world traveler and have never experienced a place as wild and pristine as the wilderness north of Fairbanks. It is a crime to grant mining companies the right to destroy this special landscape, blowing heavy metals onto the blueberries and other tundra plants and polluting streams with chemicals. The period of profit gain for a few Alaskans will be short; the period in which thousands of people and animals will be living in a degraded landscape will be centuries-long. Please think of the longterm consequences of your decisions. My grandchildren will curse the administrators and businessmen who robbed them of clean air, water, and wildlife habitat. My friends who might of stayed at the Mt. Aurora Lodge this year will be sad to hear that it is no longer in a pristine setting.

Thank you for taking the time to hear my opinion and for sharing it with your colleagues.

Sincerely,

Ms. Kirstin A. George

---

Send and receive Hotmail on your mobile device: [Click Here](#)

Ed,

I would like to take this time to comment on the economic impact of true north as compared to the bed and breakfast, aurora viewing business on Cleary Summit.

the Cleary business don't give even close to what Fort Knox does to the State of Alaska. Skiland or Mt. Aurora has aprox. 6000, to 8000, visitors a year to view the Aurora. Of which 95% stay in Fairbanks Hotels and are bused to the site for viewing. this means that 6000 or so hotdogs,hamburgers and coffee, this means that

the business only could make aprox. 70,000 dollars a year or so. of which very little goes into the state coffers, or to Fairbanks and Borough coffers. the land on which Mt. Aurora is setting is leased land from the state, either directly or mental health. The mining activity in the area of the viewing business has been put on hold for this viewing pleasure in that specific area Mt. Aurora only. this has always been a mining area. The Cleary Bed and Breakfast business has about 350 guests a year that stay at their lodge for a period of 3 days & 2 nights. Bringing about 20 to 30,000 a year to their business, of which again little is put into state or local coffers.

Fort Knox on the other hand gives to mental health 100's of thousands to millions per year in the form of lease payments and royalties. They also give a great deal to DNR for permitting processes., not to mention the royalties they are required to give the state on net profits. The cost of the mine site development alone to this date with all nessary permits has exceeded 250 million dollars that have went to the STATE, MENTAL HEALTH, DNR, Fairbanks North Star Borough, and the city of Fairbanks Alaska, in the form of taxes, permits, leases. This is just for starters,

the mine employs aprox. 700 to 800 personnel at the mine. the annual aprox. payroll is 13 MILLION DOLLARS to the Fairbanks economy. This means money spent in town for homes, schools, fuel, taxes, and on, and on. Fort Knox also spends aprox 15 MILLION Dollars a year on Fairbanks Jobbers, fabricators, suppliers, and so forth. Not to mention the cost reduction to GEVA shareholders and users due to the amount of electricity that Fort Knox buys.

Fort Knox is also going to establish a world class recreational area when mining is completed. this will benefit all Alaskans and tourists weather it be watching the aurora or fishing or outdoor activities. My point is, it is easy to see which group offers more to the economy of both the state and local area, for both this generation and generations to come.

Thank you for letting me have this say in this matter. Please grant Fort Knox any and all permits required and properly applied for present and future expansion of a world class and first class operation that benefits the State of Alaska as a whole.

Sincerely Yours  
Charley L. Walton  
1062 Steele Crk Road  
Fairbanks, Alaska 99712  
(907) 457-6566

RECEIVED

OCT 24 2000

U.S. Army Corps of Engineers  
3437 Airport Way, Suite 206,  
Fairbanks, AK 99709-4777,

Fbks. DOM & W

Oct. 23, 2000

I would like to address some concerns about the True North project. I was satisfied with Kinross's intentions of helping mitigate impacts to the Olmes East Subdivision. Kinross employees have communicated with various residents and listened to their concerns. My house is a constant monitoring spot that will aid to mitigating future impacts and how to solve them. Kinross's intentions, their track record at Ft. Knox shows their intentions to be genuine in dealing with the environment and the people around the project. Their intentions I do not worry about, it is others who are getting involved for other reasoning besides this exact project.

People have altered a few things in the original plan that worries me. The Davidson Ditch is receiving more input than the residents who live next door. Not one time has the Northern Environment Center or Minewatch met with any resident in this subdivision (20 homes half with kids). I doubt fully that they are concerned about the reality of this project. The piles of rock that were originally planed, would of helped with the noise, serving as reflectors for noise away from this subdivision, now their gone, but the Davidson Ditch is saved, what logic is this? This "Ditch" was grown up with alder, no one ever really used it. Placing a road into a subdivision with children, that makes sense, especially when it takes trucks away from the project and down a "trucker road", the Elliot Highway. This project is starting to be insane again with not addressing the Olmes East Subdivision, only this time it is not the mining company doing it, it is the ones with outside intentions.

I would like for this project to be looked at for the relevant facts to this project, and stop using my front yard as a battle ground of the "Mining Industry". Don't allow these people to step over this subdivision. What made me feel good about this project was the company that was operating Ft. Knox, I went on a tour of the project and I saw a very professionally, clean, and for the future, being into horticulture for 20 years, I saw a landscape project that will only benefit the State to come. If these are the same operators, it is these people who should operate in my front yard. If people want to battle the "Mining Industry", they should do it with the legislature in the proper channels, these people should not be allowed to come in someone else's yard and tell them how it is going to be. They have not talked to the people here, so what are their true intentions?

Once again I would like to have the facts to the project addressed in the reality they are in, this is a gravel pit being created and filled back in and reclaimed. A few years of disturbance. As far as satellite mines to Ft. Knox, it only makes since to have the harmful substances contained in one spot. One mill site rather than a bunch around the Fairbanks area only makes sense. We break up these satellite spots, and that will happen. The price of Gold gets high enough, many bad outside companies could come in a reap havoc. Mill sites everywhere. I believe this scenario with the satellite gravel pit, movement to the mill site placed in the proper paths only makes sense environmentally. But what do I know, I've only been involved with this project since 1993.

Susan A. Woods



# ALASKA MINERS ASSOCIATION, INC.

3305 Arctic #202, Anchorage, Alaska 99503 • (907) 563-9229 • FAX: (907) 563-9225 • [www.alaskaminers.org](http://www.alaskaminers.org)

April 30, 2002

Mr. Ed Fogles  
Division of Mining  
550 West 7<sup>th</sup> Avenue  
Anchorage, AK 99501

RE: Economic Impacts of True North

Dear Mr. Fogles,

I wish to provide some comments for consideration in your evaluation of the economic impacts of the True North Mine that may not have been apparent to persons outside the mining industry.

The True North Mine is obviously very important to the economy of the approximately 120 employees that work at the mine. These jobs, like the jobs at Fort Knox, are some of the very best jobs in the North Star Borough and carry with them the very real and tangible tax benefits to the Borough that were so well defined by the McDowell Report.

However, there are other factors surrounding True North that have the potential of either helping or hurting the industry throughout Alaska, whether on state, federal or private Native lands. It is well-known throughout the mining industry that True North: is adjacent to one of the largest mines in the country; is in an historic 100 year old mining district; is surrounded by creeks that have been placer mined for decades; is in an area designated in state land plans specifically for mining; is in one of the few areas in Alaska with existing road and power infrastructure, both of which were originally developed by mining; is in a community that is a strong supporter of mining; and, is in a state that claims to be "Open for Business". Now given these facts - if a mine cannot be permitted and allowed to operate without harassment in this setting - where else could a company expect they can mine?

If mining cannot occur at True North, it will send a chilling message to all mineral companies and the result would be very adverse to mineral investment throughout the state. Such a message would be heard by those already active in Alaska as well as those considering investing here! The minerals industry is an international industry and Alaska is competing for investment dollars against the entire world. When companies see that a particular state or country is a questionable place to operate, that word travels fast and the adverse impacts will be felt for a long time.

We urge that this aspect of the economics of True North be included in your analysis. We also suggest that the Division of Community & Business Development be asked to address this aspect of the economic impacts of True North. That Division has contact with international mining companies through conferences in Vancouver, BC and Toronto, ONT and they will be able to provide further information on this issue.

Sincerely,

Steven C. Borell, P.E.  
Executive Director

April 30, 2002.

TO: Ed Fogels

Re: Comments- Economic Impact

Please add the attached letter to my comments.  
This is an example of a guest's comments - who  
recently stayed here.

Thanks. Brenda Budzick

See Revised Cover Sheet.

• 3 pages total

## FAX COVER PAGE

April 30, 2002

Copy to: Nancy Mundy  
Northern Economics Inc  
907-274-5601TO: Mr. Ed Fogels  
DNRCopy to: Keelley Hagerty  
457-5200From: Steve & Brenda Birdsall  
SKILAND  
MT. Aurora Fairbanks Creek Lodge.

Comments for Economic Impact Study.

Page 1-3 General Comments.

Page 4. title page (SKILAND)

5-10 SKILAND stats

11 Title page (Fblers. Creek Lodge)

12-15 Fairbanks Creek Lodge Stats.

16. letter from guest to Ed Fogels

17

The pages total includes this page.

Brenda Birdsall

P. 2/3.

**Brenda Birdsall**

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**From:** , [mshields@mosquitonet.com]  
**Sent:** Tuesday, April 30, 2002 1:21 AM  
**To:** Mt.Aurora@worldnet.att.net  
**Subject:** Economic Impact of Ore Trucks on Cleary Summit

To: Ed Fogels - DNR  
From: Mary Shields -Alaskan Tails of the Trail - tour operator/owner  
near Fairbanks

Dear Mr. Fogels,

A few weeks ago, I attended a workshop out at the Mt. Aurora Fairbanks Creek Bunkhouse Lodge. It was a special setting for our work that weekend, and I could only imagine how the Japanese visitors would love the big sky, the peace and the quiet.. and if lucky, the chance to observe the aurora. BUT, every 10 minutes or so, an ore truck would rumble by, shifting gears, raising a dust cloud and destroying the natural landscape with bright headlights. This will certainly destroy the experience for the visitor.

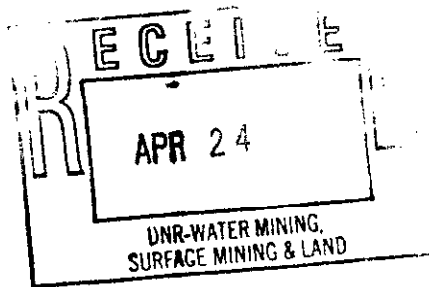
I have been a member of the Fairbanks Visitors and Convention Bureau for the past six years. I am speaking for myself in these comments. We have put winter tourism at the top of our list, to help provide year-round jobs and economic diversity for our community. Our major winter ad features an aurora lighting up a dark sky. This is our strongest marketing message for winter. As you know, the State of Alaska is not contributing much to marketing Alaska to the world. The little progress we have made is precious, and we must build on it, or we will be set back 10 years. Canada is marketing aurora viewing greatly, and gives us much competition. If another season's visitors return to Japan and report a diminished experience, it will hurt us all. These same visitors spend some of their time at Cleary summit, but they also stay in hotels in Fairbanks, and eat in Fairbanks and buy things to take home.. all in Fairbanks. This is bigger than just the business on Cleary Summit. This affects many Fairbanks businesses.

I ask you to enforce a different system for next winter. Build a different road, not visible or audible, from Cleary. Or make them stop hauling during the night. There is room for both tourism and mining and now it is time to make this a win-win situation. Please call me if you have questions.

Sincerely ,

Mary Shields  
907-455-6469





MIKE FROMMERT

BOX 61447

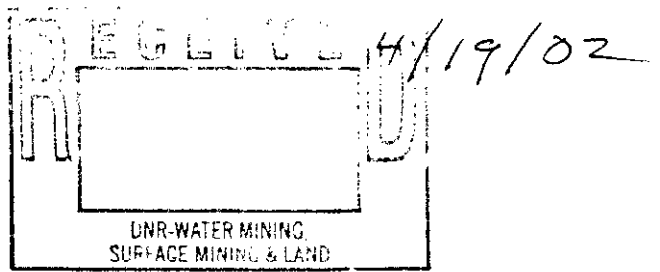
FBK AK 99706

ED FGEW.

I went to a hearing in February, 2002, at the Carlson Center regarding public testimony about the True North project. I specifically heard CHUCK JOHNSON state that he was completely booked up for the month of March, 2002. Apparently, business isn't all that bad.

Sincerely

MICHAEL S. FROMMERT



Dear Sirs,

I received a card to comment on the true north mine project. I live at the base of Chany summit. I can see but not hear the road traffic from my home. I am not part of the group objecting to the permits. I am far more affected by the traffic on the Steese highway by employees & commercial traffic than the mine watch group because my home is 150' from the Steese highway. I do have the common sense to know you can't live less than 20 miles from the second largest city in Alaska on a major artery & expect a wilderness experience. There are 6 billion people on this earth, rubbing elbows with others is just part of life.

If that group has lost business its because of the Japanese economy & the loss of travel from the fear of traveling since the terrorist incidents. I

have friends in other areas with related businesses & their businesses are similarly affected.

I have other friends that work at this mine, I would hate to see them lose their jobs, homes, standard of living etc. I have no direct or indirect personal gain or loss.

I do hate to see NIMBYism so rampant in the Lower 48 creep into this area

Fred Wilkinson

P.O. Box 72702

Fairbanks Alaska 99707

Street address (Not for mail)

3305 Steese Hwy

Fairbanks Alaska

## FAX COVER PAGE

April 30, 2002

TO: Mr. Ed Fogels  
DNRFrom: Steve + Brenda Birdsall  
SKILAND  
MT. Aurora Fairbanks Creek Lodge.

Comments for Economic Impact Study.

Page 1-3 General Comments.

Page 4- title page (SKILAND)

5-10 SKILAND stats

11 Title page (Fbks. Creek Lodge)

12-15 Fairbanks Creek Lodge Stats.

16 pages total includes this page.

Brenda Birdsall

April 29,2002

Mr. Ed Fogels  
Department of Natural Resources  
Division of Mining Land and Water  
550 West Seventh Ave.; Suite 900B  
Anchorage, Ak. 99501  
Fax: 907-269-8930

Dear Mr. Fogels;

Enclosed please find the statistics for the past 3 years for the following businesses

1. Skiland (Ski, Inc.)
2. Mt. Aurora Fairbanks Creek Lodge

Skiland is more than just a ski area. It has opened its doors for the last 20 years, from 10p.m.-3a.m. for guests who come from around the world to see the aurora.

Fairbanks Creek Lodge was built because those visiting Skiland usually stayed at Fairbanks hotels, being bussed up by the Tour Companies. There were so many requests to stay all night that this lodge was built. It just completed its 5<sup>th</sup> season with 18 rooms and a full-service restaurant. Guests stay an average of 3-4 nights and can experience aurora viewing all night and activities during the day.

When looking over these statistics: Please consider the following factors.

Our guests come to our resort for 3 major reasons.

1. The first reason is the most important: to experience the aurora. They count on clear, dark skies to see it. Light pollution from the ore trucks interferes with their pictures of the aurora and the truck noise causes a distraction from the peaceful setting. Many of our guests are return customers; who were so happy from the last visit that they come again and bring their friends or other family members. Mt. Aurora Skiland and Fairbanks Creek Lodge have built a reputation on being the best aurora viewing in the world. When they come now and are disappointed by the interferences of light and noise; they will not return again.

2. Second to the aurora is to experience activities and a way of life that is unique to Alaska. Dog sled and snowmachine rides are in demand. They find the rides through the forest and on the surrounding mountain ridges to be thrilling and breathtaking in the beauty of nature around them. With more traffic and dust-covered burns all over the surrounding foothills, new trails are in demand since the Twin Creek road has cut off the existing snow machine and dog sled trails by more than 75%.

3. Alaska's wilderness and beauty is another top reason why they come. They step out of their vehicles and are taken back by the beautiful views from our deck: Mt. McKinley and the rest of the Alaska Range as well as the White Mountains in the north. Wild birds are at the feeder and the fox and moose will pass through our yard. The view from our deck now is this big brown worm cut into the mountainside with the dust coming up from the noisy trucks driving past. With the increase in noise and traffic and a new road in their woods, the fox and moose keep their distance. If our guests don't get their ultimate experience of nature and beauty here, then they will look to our neighbor, Canada, or elsewhere.

Property values in the local area have severely decreased due to noise, dust, and light pollution.

Summer tourism is an area that both businesses are trying to expand upon. In the past there have been weddings at Skiland and Fairbanks Creek Lodge. In an effort to market more summer business, new marketing measures have been met with skeptics. Remarks come from the prospective customers asking about the mine and trucking. How do you convince them that the views are still beautiful when from the deck of the lodge you can see the haul road with its noisy ore trucks creating great clouds of toxic dust?

The statistics are numbers. They are facts. The drop in 2001-2002 is a fact. It will cast a shadow on years to come when our repeat customers don't come back because their paradise has been invaded. The guests who do not come to the Skiland or Mt. Aurora Fairbanks Creek Lodge will not stay at the Fairbanks hotels, shop at the store, or eat at the restaurants downtown. Nor will they avail themselves to the transportation facilities or the many recreational activities throughout the area.

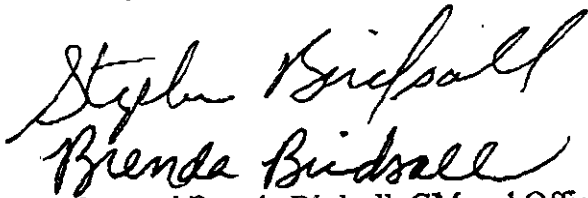
While DNR mining has been charged with looking after the States interest, it is felt that the welfare of the people and small businesses in the Cleary Summit area are a big part of that State's interest. These small businesses provide winter jobs for many people as well as purchasing from the local economy.

Perhaps if Fort Knox and DNR are intent on putting these small businesses out of business and throwing these people on welfare; a 12% severance tax on all gold shipped out of the FNSB should be assessed to help offset the 10-million dollars that winter tourism will no longer bring into the local economy. The figure is 12 percent because that is what the state is charging the oil companies. Is gold any less of a non-renewable resource?

Please consider the above factors and realize that these businesses play a major role in the local economy. Please consider having the mining and tourism industry working together. A solution would be to stop the trucking during peak dark hours, dropping down to 12-hour days.

We would like to thank-you for your time and attention to this matter.

Sincerely;

Handwritten signatures of Stephen and Brenda Birdsall. Stephen's signature is on top, and Brenda's is below it. Both are in cursive script.

Stephen and Brenda Birdsall, GM and Officers  
Fairbanks Creek Lodge  
Ski, Inc. DBA Skiland

# SKILAND

## Statistics

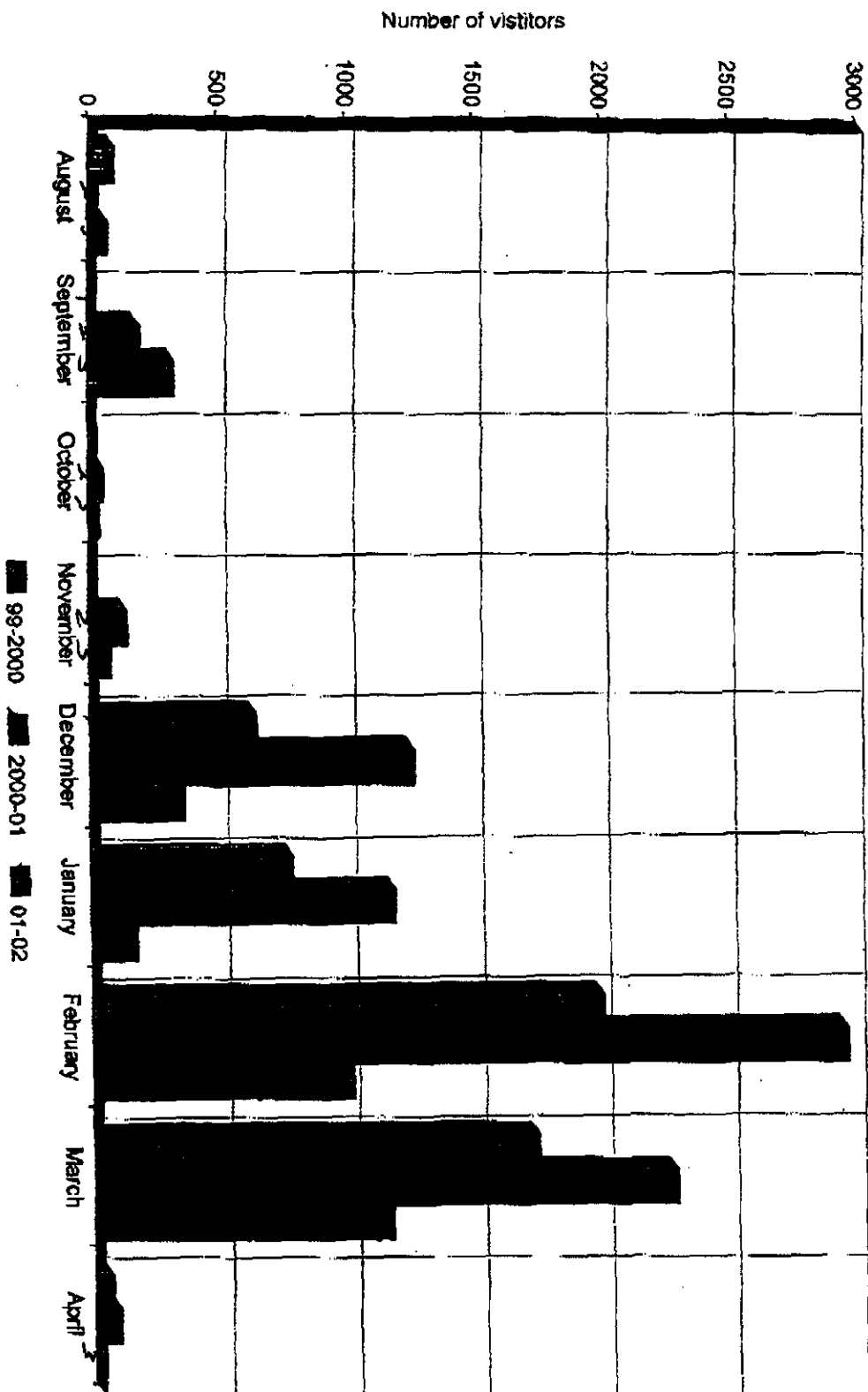


p.4 -

SKILAND

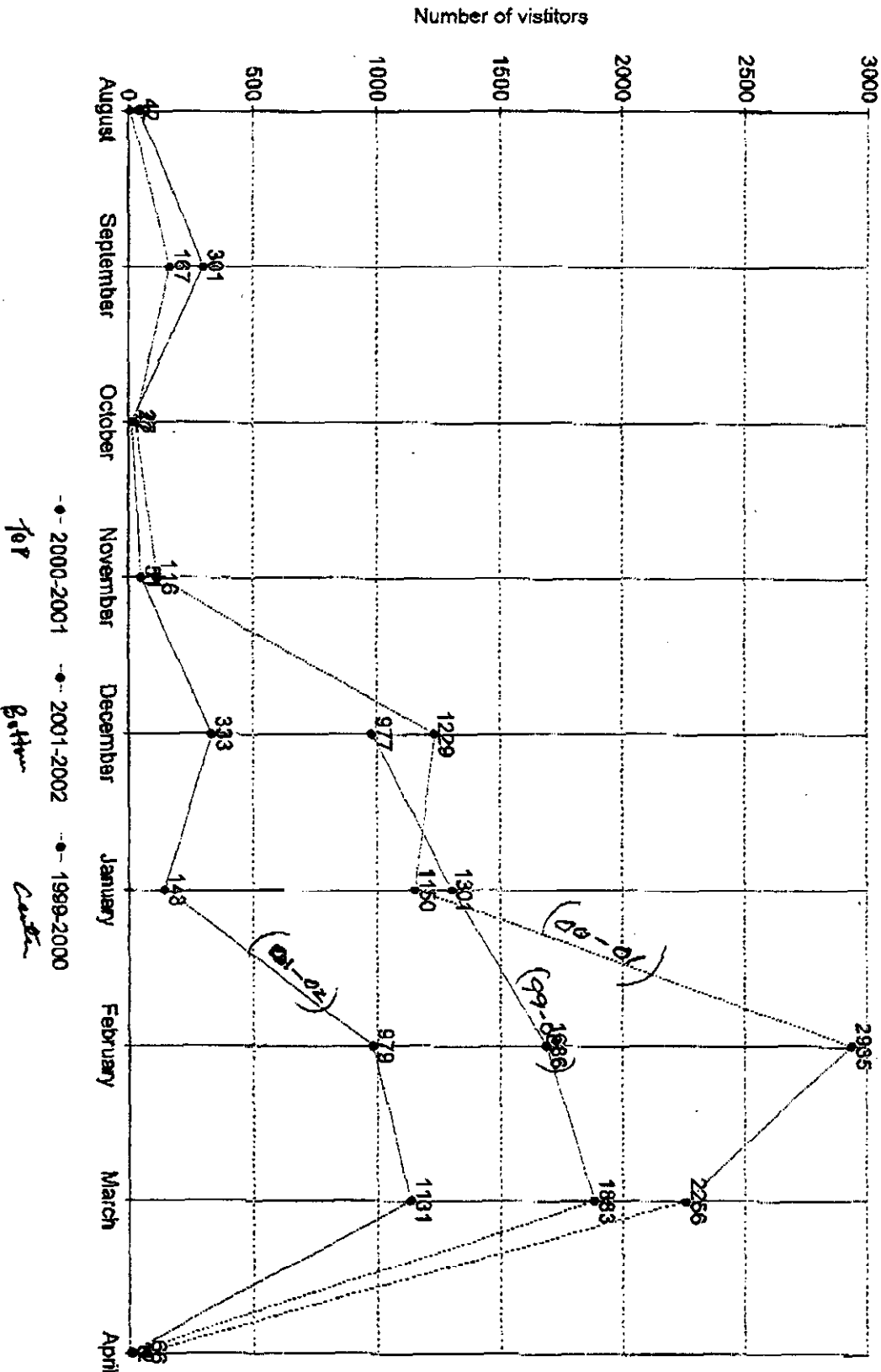
## Aurora Viewing Visitors

Red 2000-01 Blue 1999-00 Green 01-02



SKILLAND

Aurora Viewing Visitors  
Red 2000-01 Blue 1999-00 Green 01-02



FROM :

FAX NO. : 9073892002

Apr. 30 2002 05:22AM P7

|            | 91-92     | 92-93 | 93-94     | 94-95     | 95-96     | 96-97     | 97-98     | 98-99     | 99-2000   | 2000-2001 | 2001-2002 |
|------------|-----------|-------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| August     | N/A       | N/A   | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       | 68        | 8         | 42        |
| September  | N/A       | N/A   | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       | 167       | 301       |
| October    | N/A       | N/A   | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       | 27        | 12        |
| November   | N/A       | N/A   | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       | 116       | 51        |
| December   | N/A       | N/A   | N/A       | N/A       | 313       | 784       | 1255      | 977       | 816       | 1229      | 333       |
| January    | N/A       | N/A   | N/A       | N/A       | 303       | 256       | 1187      | 1301      | 761       | 1150      | 143       |
| February   | N/A       | N/A   | N/A       | N/A       | 443       | 1194      | 1482      | 1686      | 1970      | 2835      | 978       |
| March      | N/A       | N/A   | N/A       | N/A       | 781       | 289       | 1213      | 1883      | 1708      | 2266      | 1131      |
| April      | N/A       | N/A   | N/A       | N/A       | 854       | 1213      | 66        | 12        | 36        | 66        | 5         |
| total      | 629       | 275   | 425       | 913       | 2894      | 3745      | 5203      | 5859      | 5149      | 7954      | 2897      |
| % increase |           |       | 0.5454545 | 1.1482353 | 1.9507119 | 0.3901262 | 0.3863191 | 0.1260811 | 0.1378909 | 0.6473472 | -0.376792 |
| % decrease | -0.562798 |       |           |           |           |           |           |           |           |           |           |

SK1 CAVD

Mt. Aurora Fairbanks Creek  
Lodge

Fbk. GREET LODGE Bunk House # of Room NIGHTS

|              | December | January | February | March | April | Total |
|--------------|----------|---------|----------|-------|-------|-------|
| 97-98        | 91       | 72      | 183      | 298   | 15    | 659   |
| 98-99        | 129      | 116     | 223      | 252   | Ø     | 720   |
| 99-00        | 100      | 54      | 200      | 328   | 6     | 694   |
| 00-01        | 212      | 114     | 320      | 396   | 9     | 1051  |
| 01-02        | 104      | 94      | 278      | 181   | Ø     | 657   |
| Sub<br>Total | 636      | 450     | 1210     | 1455  | 30    | 3,781 |



RESOURCES

State of Alaska  
Division of Mining, Land & Water  
3700 Airport Way  
Fairbanks, AK 99709-4699  
Phone: (907) 451-2788  
Fax: (907) 451-2703

To: Ed Fogels  
(907) 269-8930

Date: 4-30-02

Total pages: 5 including  
cover

From: Susan Woods

letter from Susan Woods.

Attention: Ed Fogels, State of Alaska  
DNR, Division of Mining, Land And Water  
Subject: Neighborhood Mine Watch v State, DNR, 4FA-01-438CI

April 28, 2002

I have personally educated for close to 10 years, Residents around the True North Project and Residents from Easter and Fairbanks. I discussed with many people the possible growth and the impacts that the "New Age" Mining Industry would have on the community. I have also worked closely with both Federal and State Agencies on the concerns and impacts that the Mining Industry would have on local Residents, Water Quality and Wildlife.

Between the years of 1995 and 1999 I personally communicated with various Cleary Summit Residents on the possibility of the Ft. Knox Project, the True North Project and the Ryan Lode Project merging into one project, with one large-scale "Worldwide" cooperation owning all the rights of the land. At the time Ft. Knox was operating the only mill site in the area and it made sense to me that the projects would merge. At the time I thought maybe Newmont Alaska Exploration would be the Project Owners, but the possibility could be that the owners of Ft. Knox might take over. I explained the impacts that the Olmes East Subdivision was having and that I could use their help. During this time period not too many people were involved. Residents from Cleary Summit explained that the people at Ft. Knox were "Good Neighbors" and were working with them and Newmont established a snow machine trail. A telephone receiver was placed at Chuck Johnsons's house before the power and phone lines were established. The Cleary Summit Residents had no problem with Fairbanks Gold or Newmont and the True North Project. There was also no involvement from Residents in Easter or the people involved with Neighborhood Mine Watch. Even during this last permitting process these Residents have still not commented on the Residents in my Subdivision, all they care about is their own back yard (NIMBY's). I myself have always addressed their concerns in my work.

In 2000 Fairbanks Gold/Kinross did become the sole owners of the 3 mine sites. I know personally that the people at Fairbanks Gold got personally involved with their Neighbors who were greatly impacted and were offering great opportunities for "remedying" their impacts to all the residents harmed, including the Residents at Cleary Summit. I know personally the emotional impact one can have when a person sets up his or hers life and makes plans to have land with a certain designation and an outside element comes and takes the opportunity away. It's an emotional time and people have to make adjustments. I know that in time a working relationship could have been reestablished and the people at Fairbanks Gold would work out a solution to the problem. I was very concerned for the Residents at Cleary Summit on the noise and light problem they could possibly have and helped input the idea that routing the road around a small hill in the area and not allowing trucks to climb hills (trucks make more noise having to drive uphill than on flat ground) would help elevate some of the problem. Moving the road away from the area and having it go around the North side of the Pedro Dome would help the viewshed impact. A lot of the local Residents imputed ideas to help solve the problem. With the time, expense and construction of a new road, I believe the company did all it could to help the Residents at Cleary Summit.



Unfortunately, instead of a working relationship, I believe an outside influence came in at the right time making promises that they could solve the problem for the Residents of Cleary Summit with the promise of a Law Suit. Now there are walls instead of communication, between not only the State, but also between their Neighbors, Fairbanks Gold. I hope this scenario never happens in my Subdivision and I do not welcome the Neighborhood Mine Watch (Mine Watch) people into my area. This decision was made in 2001 when the first of the Fairbanks Gold True North permits were being sought. I tried to communicate to the People at Mine Watch and got cancelled meetings and the run around. I believe that it was because I said that there were people who approved of Mining in the neighborhood and that I felt companies with good environmental practices should be able to mine. I also explained that I had worked some time on the Project and I would like to share my ideas on the remedies that could be made to help the noise in my Subdivision. We scheduled a meeting (Mara) and I got cancelled over and over. I gave up because I felt that this Subdivision was not important to the Mine Watch people. I asked the local residents and active landowners I know in my Subdivision if they had been contacted by the Mine Watch People, none of them had been contacted by the Mine Watch people (Again in April of 2002 I asked around to the people who live here or have active participation with their land, still no contact by the people at Mine Watch, 1 witness to this is Donald Scheaffer, landowner Olmes East Subdivision, Lot 15 Block 4). In fact they were more concerned for the alder grown over Davidson Ditch area than the people living next to the pit area of the mine. The rock walls that were to be established on the Ditch area could have made small noise deflectors for the Subdivision. The Mine Watch people fighting for the Davidson Ditch caused the rock walls to be move and I lost the sound barriers I worked for years to have created in this operation. I questioned then the motives of these people, and even documented my concerns of their conduct in both the Army Corps and State DNR Mining Offices in my permitting comments of the first Fairbanks Gold/Kinross owned True North Permitting Process. What interest group do they serve, obviously not their fellow Residents. After I heard of their involvement with the Cleary Summit group I questioned the fact that they were working with businesses, people with money. What kind of public group is this? I believe certainly not a group who helps the public because it's the right thing to do, or for charity. I have worked on this project myself for close to 10 years never asking the Residents in my Subdivision for money they did not have. I felt strongly about working for the right solution for everyone, not just those who want to stop all Mining. I represent everyone here, what happens to them happens to me too. What "Standing" are these people allowed, what "Harm" are they truly suffering? When the Law Suit is done, and they loose, the Mine Watch people can return to their unaffected homes and not care and where will the Residents of Cleary Summit be? The Mine Watch people destroyed any type of working relationship that could have been made between the Residents, State and Mine Owners. I never appreciated outside interest groups coming in and making "scrambled eggs" with everyone concerned, it's a bad way to work things out and only causes bad feelings between the parties involved. I feel for the parties involved and I was also coming up with a solution until the Law Suit.

I felt that one solution could be to expand the Cleary Summit businesses into the Summer months. Conduct tours of the Ft. Knox Mine, maybe include Poker Flats, with the quests. A bed and breakfast operation could go on all year round instead of just the

Winter months. To test this theory I had my family who live in both California and Washington take a tour of the Mine. My family had never seen an operation that large and that clean. They were impressed, they went home and bragged about the good time they had touring the mine and dam area and how the people were polite and friendly. While I was gone in both California and Washington for 1 1/2 months last year I surveyed people and got their input on touring a large-scale Mining Operation. Most people I asked said that if they were to come to Fairbanks Alaska that they would definitely be interested in seeing this operation. Most who would not be interested didn't want to come to Alaska anyway. The Cleary Summit Residents and business owners could have worked with Fairbanks Gold to set something like this up, and would have benefited economically from the situation. Their businesses are not lost to Tourism; they just need to come up with a plan to work with not against the People at Fairbanks Gold. I personally talked with the people at Fairbanks Gold on conducting tours at the mine for the quests of these tourism businesses, they thought it was a good idea, but they didn't know how to work with some of the people who were writing in the newspaper about what liars and dishonest people they really were. I too could not work with people who act like that. In fact to set the record straight, I believe the people at Fairbanks Gold are honest and sincere business people and I know that they tried to do everything possible to make the residents at Cleary Summit happy. All their offers were rejected.

I want to conclude with the fact that I do not believe that Law Suits are the solution for problems and in fact they do the opposite and close doors between the parties involved. I do believe that in time with the parties working together, they could have come up with a solution. I am also worried about the "Precedence" that could be set up with this Law Suit, for outside interest groups that will benefit monetarily with no real harm to these groups occurring. These groups could then prey on innocent people and use them for their own benefits. This situation needs to stop here and now. I have discussed with my Residents I represent not to get involved with the people at Mine Watch and that I felt they were not a "True Public Interest Group". I feel that their motives are to try to stop all Mining activities no matter the costs to the true impacted people involved. I am requesting that this letter become part of the "Decision Making Process", with the documented I submitted in the first Fairbanks Gold/Kinross permitting process, on file at both the Army Corp. of Engineers and State of Alaska DNR Division of Mining Water and Land. I believe in working relationships, not in Law Suits. This was not the solution needed for the problems that the Cleary Summit people are truly going to benefit from, the Law Suit addresses Neighborhood Mine Watch, not the Residents of Cleary Summit and what "Remedy" will the Residents receiving by this? I believe no true "Remedy" is instilled in this case for those Residents, if there was I might support the idea, but not like this.

*Susan Woods*

Susan Woods  
Land Owner Olnes East Subdivision  
Environmental Researcher and Consultant  
P.O. Box 84597 Fairbanks Alaska 99708

RECEIVED

OCT 24 2000

Resubmitted  
On April, 30 2003

U.S. Army Corps of Engineers  
3437 Airport Way, Suite 206,  
Fairbanks, AK 99709-4777,

Fbks. DOM &amp; W.

Oct. 23, 2000

I would like to address some concerns about the True North project. I was satisfied with Kinross's intentions of helping mitigate impacts to the Olmes East Subdivision. Kinross employees have communicated with various residents and listened to their concerns. My house is a constant monitoring spot that will aid to mitigating future impacts and how to solve them. Kinross's intentions, their track record at Ft. Knox shows their intentions to be genuine in dealing with the environment and the people around the project. Their intentions I do not worry about, it is others who are getting involved for other reasoning besides this exact project.

People have altered a few things in the original plan that worries me. The Davidson Ditch is receiving more input than the residents who live next door. Not one time has the Northern Environment Center or Minewatch met with any resident in this subdivision (20 homes half with kids). I doubt fully that they are concerned about the reality of this project. The piles of rock that were originally planed, would of helped with the noise, serving as reflectors for noise away from this subdivision, now their gone, but the Davidson Ditch is saved, what logic is this? This "Ditch" was grown up with alder, no one ever really used it. Placing a road into a subdivision with children, that makes sense, especially when it takes trucks away from the project and down a "trucker road", the Elliot Highway. This project is starting to be insane again with not addressing the Olmes East Subdivision, only this time it is not the mining company doing it, it is the ones with outside intentions.

I would like for this project to be looked at for the relevant facts to this project, and stop using my front yard as a battle ground of the "Mining Industry". Don't allow these people to step over this subdivision. What made me feel good about this project was the company that was operating Ft. Knox, I went on a tour of the project and I saw a very professionally, clean, and for the future, being into horticulture for 20 years, I saw a landscape project that will only benefit the State to come. If these are the same operators, it is these people who should operate in my front yard. If people want to battle the "Mining Industry", they should do it with the legislature in the proper channels, these people should not be allowed to come in someone else's yard and tell them how it is going to be. They have not talked to the people here, so what are their true intentions?

Once again I would like to have the facts to the project addressed in the reality they are in, this is a gravel pit being created and filled back in and reclaimed. A few years of disturbance. As far as satellite mines to Ft. Knox, it only makes since to have the harmful substances contained in one spot. One mill site rather than a bunch around the Fairbanks area only makes sense. We break up these satellite spots, and that will happen. The price of Gold gets high enough, many bad outside companies could come in a reap havoc. Mill sites everywhere. I believe this scenario with the satellite gravel pit, movement to the mill site placed in the proper paths only makes sense environmentally. But what do I know, I've only been involved with this project since 1993.

Susan A. Woods

*Susan Woods*

**GORDON E. DEPUE**

**P O BOX 70531**

**FAIRBANKS, AK 99707**

**907/452-6891**

**FAX:452-4858**

**E-MAIL: cross-town@gci.net**

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**April 18, 2002**

**Department of Natural Resources  
Division of Mining, Land and Water  
550 W. 7<sup>th</sup> Avenue  
Anchorage, AK 99501**

**Attn. Ed Fogels**

**RE: True North Mine Project  
Adverse economic impact.**

**It is often difficult for government to understand the problems of development in the private sector. I suspect that the problem is even more acute for judges who may only see an issue as it is presented by attorneys in the present context.**

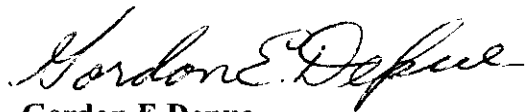
**The history of this issue should be re-capped in order to see what adverse economic impact is to both parties with regard to existing uses of the land.**

**First the Mine Watch consists of residential and a small business which moved to this historic mining area and built. When they purchased it was obvious to all that development of this land was already begun and hundreds of thousands of dollars were being spent to move this property to the mining stage. In fact the access to their property was mining roads and for 100 years mining had been active except for the 2<sup>nd</sup> world war years. As they began construction they observed the millions of dollars invested on all sides of their location. Before they expanded or increased their investment they all watched as the property that was zoned mining was developed at a cost of 500 million dollars. There was not then a reason to continue to stay in the area if they did not care for the development of a mine. For 250 years in America people have moved if they did not like development. One can only assume that these people given their knowledge of the history of the area , the only land in Alaska zoned mining , and the on going activity to gain investment capital to develop the land were not surprised when development occurred. Perhaps they were disappointed when a generous offer did not come, to buy them out! The available sites for viewing the northern lights are not in short supply. With thousands of viewing sites available one must consider their impact on the mining business. By staying they are a constant expense to the mine owners and show their determination to continue legal harassment and every other form of legal extortion against these lawful owners.**

While the economic impact on the complainants could have been foreseen and avoided by any prudent person, they refused to recognize it. It would appear that any adverse economic results were indeed self inflicted. However, the same cannot be said for True North mine owners. It would appear that this continued legal and regulatory harassment is indeed costly to the companies who have already spent millions to accommodate these few residents.

The North Star Borough assembly members said it well when they commented after their visit "Much ado about nothing " ! If you don't like the neighbors activity move!

Perhaps the court should require payment of all fees and costs to True North owners! The time has come to say STOP.

  
Gordon E Depue